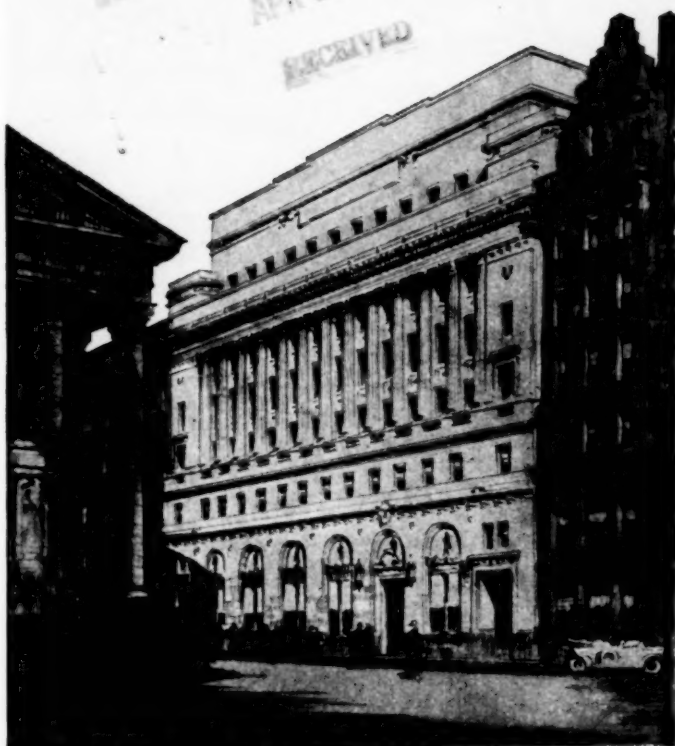


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Lloyds Bank Review



APRIL 1949

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New Series

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The Bank publishes from time to time in this REVIEW signed articles by exponents of different theories on questions of public interest. The Bank is not necessarily in agreement with the views expressed in these articles. They are published in order to stimulate free discussion and full inquiry.

EDITORIAL NOTE

It will be remembered that the Review recently published a series of articles dealing with the problems of British agriculture. When the series had come to an end it was represented to us that perhaps insufficient attention had been given to the special problems of horticulture. Accordingly, in pursuance of our policy of affording an arena in which issues of public policy may be debated from various points of view, we invited Mr. F. A. Secrett, a distinguished horticulturist, who from 1942-48 was Adviser to the Ministry of Agriculture, to make a contribution.

Nationalization

By Lord Brand.

NOW that the Labour Party is understood to be preparing its programme for the coming Election, some discussion of a general character on the question of Nationalization may be of value. A great deal appears in the Press in connection with the nationalization of this or that, but surprisingly little on the general question of why we should nationalize at all. Every now and then the Prime Minister may make a speech or write a preface saying that the arguments for it are unanswerable, but without giving any of them. Recently, however, on the Second Reading of the Steel Bill, Sir Stafford Cripps and Mr. Strauss advanced what one must suppose to have been the very best arguments they could lay their hands on, at any rate in connection with that particular industry. I will return to these arguments in due course.

The movement for the nationalization of all the means of production, distribution and exchange arose out of the evils which the industrial revolution brought with it in the first half of the 19th Century and out of the inequality of wealth which accompanied it. Sidney and Beatrice Webb, honoured by their admirers with a last resting place in Westminster Abbey, will no doubt be accepted by them as the best exponents of the reasons actuating British Socialists for advocating nationalization, as these had been developed by the year 1920. In their book *A Constitution for the Socialist Commonwealth of Great Britain* published in that year, the Webbs summarized their views in words which deserve quotation. The "Dictatorship of the Capitalist" they wrote, "is directed fundamentally to one end—the extraction of the largest obtainable income for the owners of the land and capital in the form of interest, profit and rent. The economic result in Great Britain—and we believe that much the same is true of other countries of advanced industrialism—is a great waste of productive power through misdirection and internecine competition; and also an inequality so gross that the manual-working wage-earners, comprising two-thirds of the population, obtain for their maintenance much less than half the community's net product annually, most of them living accordingly in chronic penury and insecurity. Nine-tenths of all the accumulated wealth belongs to one-tenth of the population. The continued existence of the functionless rich—of persons who deliberately live by owning instead of by working, and whose futile occupa-

tions, often licentious pleasures and inherently insolent manners, undermine the intellectual and moral standards of the community—adds insult to injury. . . . But the central wrong of the Capitalist System is neither the poverty of the poor nor the riches of the rich: it is the power which the mere ownership of the instruments of production gives to a relatively small section of the community over the actions of their fellow-citizens and over the mental and physical environment of successive generations. Under such a system personal freedom becomes, for large masses of the people, little better than a mockery. The tiny minority of rich men enjoy, not personal freedom only, but also personal power over the lives of other people, whilst the underlying mass of poor men find their personal freedom restricted to the choice between obeying the orders of irresponsible masters intent on their own pleasure or their own gain, or remaining without the means of subsistence for themselves and their families. . . . What the Socialist aims at is the substitution, for this Dictatorship of the Capitalist, of government of the people by the people and for the people, in all the industries and services by which the people live. Only in this way can either the genuine participation of the whole body of the people in the administration of its own affairs, and the people's effective consciousness of consent to what is done in its name, ever be realized." Later in the book they develop their constitutional theories, whereby the "essentially political functions of the Government" were to be concentrated in a Political Parliament and its executive and "all the other functions of the House of Commons" in a distinct national assembly with separate executive organs, in other words, a "Social Parliament and Executive exercising whatever control may from time to time be required over the nation's economic and social activities." This social Parliament and Executive was, for instance, to exercise all powers over property, over taxation—its assessment and collection—over the administration of public services and so on.

The extension of the power of the State over anything and everything is a simple idea, which, until its real consequences begin to be apparent, has an appeal to the emotions of those who feel they have not had a fair deal. But even the simplest citizen may well suspect that the political ideas of the Webbs as illustrated above were somewhat naive.

Nationalization itself was, it will be seen, supported by the Webbs first on the ground that private ownership resulted in a great waste of productive power, secondly that it was required

to diminish the great inequality of wealth, and lastly, and this was the "central wrong", that the ownership of the means of production gave a power to a tiny minority which reduced the personal freedom of large masses of people to a mockery.

The first argument is still maintained by many, though there is nothing to show that general nationalization would increase production. On the other hand the consequences of an ever-extending control by the Government are becoming constantly more evident. But for the rest, if the picture given were a true one in 1920, it is a convincing proof of the revolution which has taken place since then. The capital of the country is no doubt still very unequally divided; but capital is of very little importance except for the income to be derived from it, and in that respect an enormous change has taken place in the distribution of the nation's net income; in fact it has been described recently by the Chancellor of the Exchequer as a revolution. There are no rich men in the Webbs' sense left, so far as income is concerned, as is demonstrated by the White Paper on the National Income and Expenditure. In 1945-46 only 840 persons possessed an income (after deduction of tax) within the range £4,000-£6,000, while a mere 45 had an income of £6,000 and over. In September last Sir Stafford Cripps stated that while in 1947 £320 millions were distributed as dividends after payment of tax, net wages after taxation on the other hand amounted to £3,260 millions, and salaries to £1,435 millions. These two together were, therefore, nearly 15 times as much as distributed profits, those profits which many Socialists regard as the root of all evil. Sir Stafford Cripps went on to point out that, if company profits were restricted by 25 per cent. in an attempt at still further income redistribution, the average addition to wages and salaries would be no more than 4d. in the £.

Nor are the wage-earners now under the orders of "irresponsible masters intent on their own pleasure and their own gain", even if they were in 1920. There are no doubt some very large shareholders in some big companies, but no great companies that I know of, except perhaps one or two newspapers, are now controlled or dominated by one or even a few shareholders. None of us now suppose that the great steel companies are owned and controlled by Mr. Richard Thomas and Mr. Baldwin or by Mr. Dorman and Mr. Long. They are owned now by tens of thousands, if not hundreds of thousands, of shareholders. Moreover, as I pointed out not long ago in the House of Lords, shareholders in general are men of

moderate means. I estimated that the average taxpayer, paying tax on profits, dividends and interest under Schedule D, paid, if his income were all unearned, tax at an average rate of 4s. 9d., which indicates that he had a *gross* income of not more than £700 to £900 a year. Last, but certainly not least, and this is what renders so much of Socialist teaching worthless, shareholders are not "functionless", as we may find to our cost. It is no doubt the case that, at least until things go very wrong, shareholders do not as a rule exercise effective control over the companies in which they have risked their money, any more than taxpayers or even Members of Parliament or even perhaps Ministers will be able to exercise effective control over the nationalized Corporations, in which they as taxpayers have risked theirs. Nevertheless, in providing "risk" capital shareholders are performing not merely a valuable but an essential function on behalf of the community. Indeed, I regard the drying up of such private savings through extreme taxation as one of the real dangers facing the community, a greater danger perhaps to private enterprise than nationalization itself. The wage-earners cannot be expected to, and should not as a rule, risk their savings in the purchase of "equities", since the danger of loss is too great. It is on this rock, indeed, that most profit-sharing schemes founder. It is all right for a man of quite small means to share in profits, but the whole matter looks very different to him when he is called upon, as he must be if he is truly taking the "equity" risk, to share in losses, either by reduction of dividends or a fall in the market price of his shares.

Neither public authorities nor financial institutions, whatever their character, can provide all the risk capital of the sort needed. A plentiful supply of personal risk savings is also required, by means of which existing industries and enterprises can be modernized and extended and new ones started. This "functionless" function is in fact one of vital moment to the community. So long as private enterprise exists, private capital must be risked, either to make a profit or suffer a loss. In this connection, the *Economist* in a recent issue made an interesting comment on profits such as they are revealed to be by the most recent figures now available as a result of the provisions of the new Companies Act. "Profits are not a widow's cruse which can be tapped indefinitely for political purposes. They are the income from which industry pays heavily in taxation, from which it attempts to maintain its capital, and which, if sufficient is left, it may pay out in part as a reward for risk-bearing.

They are one of the main sources of new savings for the replenishment and expansion of the nation's capital. Now that the facts about profits are becoming more fully known, thanks to the new Companies Act, there is no longer any excuse for wild talk about them. The evidence is available for all to see."

All this being the state of affairs now, one need not be surprised to find that the arguments used by Sir Stafford Cripps and Mr. Strauss for nationalizing steel resemble hardly at all the Webbs' arguments of 1920. Nothing was said about the better distribution of wealth, little or nothing about the dictatorship of the capitalist. Mr. Strauss, it is true, led off his speech with an unsupported assertion that steel nationalization was necessary in order to increase the standard of life, or in other words that a nationalized industry would, with no more human effort in the form of direct labour or capital, produce more, and cheaper, steel, a statement that everyone must know is most unlikely to prove true. Sir Stafford, it is true, ended his speech by the demagogic assertions that there was a greater and greater diversity of interests between the "perfectly proper drive of the owners to make the greatest profits and the needs of the nation," and that what was necessary was to ensure that "the nation's resources are used in the interests of the people as a whole and not to increase the wealth and power of any particular section of the people." Did Sir Stafford mean by "owners" the shareholders and did he sincerely think the wealth and power of these thousands of small and moderate shareholders really threaten the interests of the nation? Or did he mean by "owners" the boards of directors and managers, and did he claim that their wealth and power are dangerous under the present constitution of the iron and steel industry? Or did he mean that the Iron and Steel Federation had a disproportionate influence in high circles? Even if this latter were so, to nationalize a great industry consisting of over one hundred companies cannot be the only remedy open to a Government. Finally, did he believe that managements are guided solely by the desire to make the greatest profits for their shareholders regardless of the national interests? If he does believe this, then in my opinion he quite misconceives the motives which actuate those who have to manage large modern industrial or commercial corporations. Boards of directors and managers must, of course, if they can, make sufficient profits, distributed and undistributed, to maintain the credit of the company, to enable it to raise more risk capital on reasonable terms in future,

if it is needed, and to put by sufficient to reserve. But there are also two other duties which press on them still more insistently, namely, to satisfy their salaried and wage-earning staff, who, unlike the shareholders, they have always with them, and lastly to satisfy the consumer both at home and abroad and keep abreast of their competitors. Speaking generally, I have the impression that managements often regard shareholders as a nuisance. They certainly do not, as the Chancellor's words suggest, fix their eyes solely on securing for them the greatest profits regardless of the interests of the community or of anyone else.

Apart from these arguments, both Sir Stafford and Mr. Strauss based their whole case on the strategic and "planning" need for nationalization. This country, Sir Stafford argued, might want for strategic purposes largely increased amounts of steel. But it could not trust those working for private profit to supply them. Only the Government could ensure that. This country, said Mr. Strauss, depended on whether the steel industry was responsive enough to national needs and he argued that private owners would want to keep their capacity below potential demand. The Government he said, "dare not be cautious" and the nation and not private owners must decide on the amount of steel produced.

Sir Stafford Cripps went on to use a closely allied argument, namely, that nationalization was required in order that the Government might plan ahead for national purposes. The Government could not rely on the reactions of uncontrolled private enterprise to a changing world system. The steel industry could not be allowed to determine from the point of view of nothing but its own profitability the limits of its expansion.

I have briefly described these arguments, not because I have any wish particularly to discuss the nationalization of steel, but because they have a far wider significance. It is hardly necessary to point out that they are of almost universal application. Steel is not the only important strategical article, nor is it the only article important for general planning purposes. If it is true that it would be dangerous from these two aspects to leave steel unnationalized, then the same must be true of many other industries.

Moreover, if these arguments hold water, Russia must enjoy an immense strategic advantage over both the U.S. and ourselves, for having nationalized everything she avoids all the weaknesses Sir Stafford Cripps fears. And yet all this appears to be completely contradicted by the extraordinary, the

unparalleled strategic achievements of American industry in producing very shortly after her entry into the War at the rate of 20 million tons of shipping and over 80,000 planes a year as well as innumerable quantities of other armaments to supply her own country and all the other Allies.

These arguments indeed appear to imply a high degree of planning megalomania. It is not sufficient, it seems, for the Government to indicate its needs, whether to the steel industry or any other and whether for war or pre-war or for ordinary planning purposes and to make the necessary contracts and arrangements for those needs to be met, subject of course to labour and material being available, as H.M. Government and the U.S. Government did in the last War. It is necessary to go the whole hog and to take over not only the steel industry but all other industries supplying important needs of the Government. Food is vital in war. So are textiles. Are the farmers to be trusted, or the cotton, wool and rayon industries? Hadn't we better take them over and make sure? Mr. Strauss, in fact, in order to put heart into the motor industry, has recently lightly indicated that some day the Government may wish to take it over. Perhaps the Government isn't sure that there will be enough cars and trucks and tractors and bulldozers, unless Government employees produce them. The chemical industry also is being discussed. Perhaps, after all, the Russians are right. For what is the Russian system but wholesale nationalization with a great deal of Russian barbarism thrown in as well? Mr. Strauss gloated, moreover, on the fact that the Steel Bill would remove from the private sector of industry the citadel of capitalism, just as in a recent pamphlet Professor Cole gloated over it as being a blow at the heart of capitalism. If capitalism means, as it must, the ordinary industry of the country, in fact Mr. Morrison's 80 per cent., why should it be desirable to pierce it to the heart and how can that be of advantage to our 50 million citizens, since such a fate for their industry must also mean disaster to them?

The stress laid on these strategical and planning aspects may well indicate that the two Ministers found great difficulty in producing other and cogent reasons for extending nationalization. This is not to be wondered at.

No one, I think, would now, for example, support nationalization as a method of distributing wealth more evenly. Means have been found to do that much more effectively—too effectively, it may be, for enterprise—by direct action against incomes in the form of taxation.

It is true there may be many, perhaps very many, inexperienced in the conduct of industry who, despite the almost universal testimony of facts, believe that Mr. Strauss is right in assuming that Government ownership will at least produce goods and services more efficiently and at less cost than private enterprise. Government ownership may be efficient in standardized public utilities, where it can create a monopoly which it would forbid to others. Moreover, there may be cases, such as coal, where relations have become hopelessly embittered between the companies and the men. But there is nothing anywhere to indicate that Mr. Strauss has any sound grounds for his assertion. The pace of the "Government's stroke" is proverbial.

Again, there is no need now for nationalization merely to destroy the dictatorship of the capitalist. If there is any dictatorship to fear at the moment, other than that of the State, it is the dictatorship of the trade unions, though circumstances, we may hope and believe, are now slowly educating their leaders. For nationalization is surely dangerous for the trade unions of the nationalized industries. A collision between the State and a trade union is quite a different matter from a collision between a trade union on the one hand and employers on the other, with the State as arbiter. In the end there cannot be "two Kings of Brentford," nor can "nationalized" trade unions expect to have the independent life they have had in the past.

In our case, moreover, it is certain that fifty million people on this island can only prosper, perhaps only live, by the greatest use of initiative, enterprise and flexibility. Nothing could be more damaging than for the Government to take over from private enterprise any portion of our export trade where personal relationships and the utmost freedom of movement and elasticity of action are so important. There are even Socialists who talk of nationalizing such intricate enterprises and such fruitful producers of "invisible exports" as shipping and insurance. To anyone acquainted with the facts, as for instance the Chancellor, such action must surely be regarded as suicidal.

But, it will be said, what about monopolies? Must not the public be protected from them? But is the public protected merely by the creation of a still bigger Government monopoly? Surely not. It is undoubtedly important to expose any rigging of the markets by monopolistic producers, and, still more important in my opinion, to curb harmful restrictive practices.

But the Government have set up a Commission in the Monopolies and Restrictive Practices Act to do that very thing. Would it not be wise at least to wait and see what their inquiries reveal?

Nevertheless, however weak may be the case for nationalization, it cannot be denied that, aided by the effects of two immensely destructive wars, it has been spreading rapidly throughout the world. In countries still primitive as industrial states, action on a wholesale scale by the State to bring about the blessings of the mechanical age seems to their Governments obviously preferable to the slow growth of private enterprise which might take very long to fructify; in more advanced democratic countries universal suffrage or Communist strength has led to the masses supporting or acquiescing voluntarily or compulsorily in what appears to be at first sight a very convenient means at least of dispossessing from power, political and economic, those whom they have been taught to regard as their enemies.

Economic and political thought, however, if I am not mistaken, is now recognizing that not only is a great extension of Government control over the field of industry and commerce likely to be destructive of personal freedom, not only does it introduce us to an ever greater degree to the servile state but that it is, so to speak "barking up the wrong tree." No one would be foolish enough to deny that in a great industrial community like ours the Government has a part to play in the monetary and economic sphere of immense, indeed of overriding, importance. As a few years may show us, our safety and welfare depends more than anything else on its success. I should define very broadly the Government's main duty to be to maintain firm the framework within which the bees are to make and store their honey, rather than to try to make the honey themselves. It is their function to do what Sir Stafford Cripps is now engaged on, namely to keep our external position balanced, to maintain the value of our currency, to do its best to maintain employment in our internal trade without creating or allowing unemployment because, for instance, of an undue rise in costs in our export trade—no mean problem. Unfortunately, the Chancellor of the Exchequer believes apparently that he can do all this better if he takes over as well the ownership and management of our great industries. I have a feeling—I hope without foundation—that if he were to stand in front of a beehive he might exclaim, "But this is too disorderly for anything, these bees flying about in every

conceivable direction. There must be great waste and inefficiency here. We must bring some order and planning to all this."

Nationalization of industry, in fact, has no bearing on the great problem of the central control of our monetary structure. "It is not," wrote Lord Keynes in his last book, "the ownership of the instruments of production which it is important for the State to assume. If the State is able to determine the aggregate amount of resources devoted to augmenting the instruments and the basic reward to those who own them it will have accomplished all that is necessary." There are no doubt a good many of the more sophisticated supporters of Labour policy who would dispute Lord Keynes' dictum and who hold that a wide industrial sector under Government control is necessary in order to secure the effective planning of aggregate demand. This is because they have not yet learned that Government investment is for several reasons even more rigid, even less adjustable than any other form of investment. I might add that Lord Keynes himself would no doubt have agreed that the determination of the community's aggregate demand presents everywhere great difficulties, and in a country such as ours, far greater difficulties than in more or less self-contained communities such as the U.S. and Russia.

So precariously indeed are we situated, so exposed to storms from the outside world, so dependent on the outside world buying what we have to sell and must sell that the maintenance of full employment in all circumstances and at all times, regardless of the economic conditions that may exist here or in the world at large, will prove to be beyond the power of any Government to ensure. No sovereign remedy for unemployment has been discovered. No British Government can force other countries to buy our products if they are relatively too expensive, or in that event prevent unemployment in the export industries, prevent indeed a return to "sheltered" and "unsheltered" industries. Let us hope we shall avoid this by finding that our goods are being produced at the cost and of the quality which enables them to be sold. It is the task of our Government, above all, so to manage our monetary and our financial and budgetary policy as to contribute to this end. From these difficulties Marshall Aid and the sellers' market have sheltered us since the end of the War.

There is enough planning in this task and in the allied task of controlling imports and exchange (which unfortunately we cannot get free of for a long time) to satisfy the most

ambitious planner, though it may seem less exciting than taking over the control of hundreds of companies and firms and millions of men.

Some two years ago that wise and distinguished American writer, Dr. Reinhold Niebuhr, gave an address on the B.B.C. on "Great Britain's Opportunity." "My thesis," he said, "is briefly this, that Britain is the only nation in the western world which has a fair chance of solving the problem of justice within the terms set by a technical society, without going through serious social convulsions. You have the best chance of composing the great debate—not to say conflict—on the problem of social justice which has plunged the western world into something like civil war for generations, and which has caused and is still causing most of the spiritual and political confusion of our day. The issue of the debate is this, how can one achieve justice without sacrificing freedom in a modern technical society?" He pointed out in the course of his argument that "it is as a matter of fact still an unsolved problem how much planning one can do without destroying essential freedoms" and that "we do not know how best to encourage initiative within a system much more equalitarian than the old." "Unless Government is under democratic control, a society with socialized property may become more tyrannically governed than previous societies." "The best way," concluded Dr. Niebuhr, "of preserving peace is still to protect what is left of a free society in the modern world and ultimately to restore that society to economic and political health."

If it is, as Dr. Niebuhr claims, the task of this country to discover a form of society in this modern world which combines justice, order, freedom and initiative, who can suppose that we can arrive at it along the dreary, deadening path of nationalization, combined with unparalleled taxation, when we can only live at all by the exercise of all the vital individual energies at our command?

The export market may become much more difficult; and since, owing to the wide acceptance of Socialist doctrines, we are now so much more rigid in our economic structure than any other country, I cannot think that we shall escape serious strains.

BRAND.

March, 1949.

Canada and the World Economy in the Making

By Professor W. A. Mackintosh

CANADIANS have been astonished and to a degree bewildered by the enormous apparent growth of their country. When they were about to dismiss it as a war effect which would soon shake down painfully to reasonable size, the upward surge was resumed. There is now some questioning as to whether there are still higher points beyond the present upward slope or whether it will abruptly end in a sharp descent.

In 1937, the best pre-war year of the 'thirties, Gross National Production was valued at \$5,279 millions. In 1948, it was probably close to \$15,400 millions and it is a reasonable expectation that in 1949 there will be a further increase. Of course, much of this merely reflects the great rise in prices. From 1937 to 1948 wholesale prices have rather more than doubled and the cost of living has gone up by about 60 per cent. Yet, when allowance has been made for these changes, it is evident that the rise in real output has probably not been less than two-thirds.

There has been a population increase of about 15 per cent. and the present population of about 12,750,000 is growing, at a rate considerably greater than before the War. The rate of natural increase is sharply higher; immigration is also accelerating and is now more than 100,000 a year.

There is no mystery about the sources of the great increase in Canadian output. In the main, it is a response to a greatly increased aggregate demand. Pre-war output was that of an economy working at very much less than its capacity; the present is capacity output under forced draft. In this period there has been a rise of about 500,000 in the available working force, by reason of the increase in population, and a decline in unemployment of about 800,000. Further, an unmeasured degree of pre-war under-employment in agriculture and other occupations has now disappeared. Since 1937 there has probably been an increase in the labour force actually at work of more than 40 per cent. The general opinion, for which

there is seemingly plenty of supporting evidence, is that output per man has fallen. Actually, though statistics are lacking, the inference is clear that output per man, in the economy as a whole, has risen very substantially. Not only is each worker now supplied with much more capital equipment and power, but, in the re-deployment of labour as the economy expanded, there has been a great shift from lower- to higher-productivity jobs.

The increase in the labour force at work is part of the explanation. A cycle of good crops is another. There have also been great gains in managerial experience. Before the United States was persuaded to all-out defence production, Canadian industry, under the driving leadership of the Rt. Hon. C. D. Howe, boldly launched great war-industry expansions and many new enterprises in unfamiliar fields. A measure of co-ordination with United States expansion followed. The years of desperate war production brought great extensions of Canadian "know-how" in industry; experience increased and managerial ability developed and matured. Canadian industrialists gained confidence in their own ability to handle new and larger enterprises. Comparisons based on identical war products showed that they could often achieve lower costs than in the United States plants whilst in some cases man-hours per unit of output were definitely lower. Industrialists were astonished at the results of production in volume and of up-to-date plant. This experience has had far-reaching and exhilarating effects. The axiom that United States manufacturing costs are always lower no longer held. Since the end of the War some United States firms have, in fact, found that costs in their Canadian branch plants are lower. The Canadian farm-implement industry, whose products are on the free list of both countries, has invaded the United States market in impressive volume. The relationship between Canadian and United States manufacturing has become fluid and Canadian industrialists have a new energy and confidence.

INVESTMENT IN A LARGER ECONOMY.

The two dynamic elements expanding the aggregate demand for this high volume of output have been exports and home investment. Government spending, in contrast, has been steadily reduced. The extension of credits and the world shortage of goods have, it is true, lifted Canadian exports

to war-time peaks, but actually they have been, if anything, somewhat less significant "relatively" than before the War. That is to say, the remarkable relative change has been in gross home investment. The total will run to well over \$3,000 millions in 1948, about 20 per cent. of gross national expenditure. In 1937 it was little more than 13 per cent.

Necessarily, consumer expenditures have been curtailed by exports and investment as the consumer has been restricted by shortages and high prices.

While the great volume of new investment is to be explained in part by the low investment of the depression years and postponements during the War, it is building a Canadian economy of greater scope and solidity. The scale of the 1930's has been outgrown. Thus, one large block of investment is going into housing, municipal services, telephones, electric power, hospitals and schools—services which are seriously deficient for the existing population with its present income.

Another part of the new investment will result in the replacement of imports, though this is less a matter of planning than of opportunity. The steel industry has extended its finishing processes in strip, tin plate and structural and automobile steel. Even primary steel capacity may be enlarged. There has been a large increase in capacity for all sorts of metal fabricated products and for parts and materials for durable goods, much of it providing a replacement for imports from the United States.

Export industries are extending their operations. In the field of non-ferrous metals processing has been carried forward to fabricating. In pulp and paper new capacity has been added as United States firms have sought power from across the border and wood to replace expensive home supplies. There has been a big expansion also in production of the newer dissolving pulps and much investment in the modernizing of existing equipment and processes.

In British Columbia new resources have been tapped in power and forest products. In Alberta a search for new oil fields to replace the dwindling Turner Valley field has resulted in the discovery of two new fields which bid fair to lift the Prairie Provinces from the position of an oil-deficiency area to that of a significant exporter. The future of the Labrador iron deposits cannot as yet be forecast but they will occasion vast new investment in exploitation and transportation and

will probably turn the balance in favour of rapid development of the St. Lawrence waterway.

So far this great investment boom has subtracted from the flow of consumers' goods rather than added to it. It is to be seen as a staking out of a larger economy which must find its setting in an economic world which is in process of being re-made.

IMMEDIATE CONDITIONS.

For the present, Canada is at or near the peak of a boom which shows no sign of immediate slackening though the horizon is not without clouds. Inflationary tendencies are still present but are weaker than they were a few months ago. Wholesale prices, after a swift rise in 1947 and 1948, are now more than double the pre-war level but have fallen slightly in the last few months. The gap between Canadian and United States prices is steadily disappearing. The rise in the cost of living is officially measured at about 60 per cent. since 1939, but its impact on income groups is uneven. Hourly wages have more than doubled since the beginning of the War. Real hourly earnings are probably about one-third higher than in 1939 while, with shorter hours, real weekly earnings are on the average about 25 per cent. higher. During the past eighteen months, however, the increase of money wages has hardly more than offset the rising cost of living. Nevertheless, while demands for another round of wage increases will be made this Spring, they will not be pressed unduly.

The farmer bore the brunt of the depression but he has since made the greatest relative gain. Farm cash receipts are more than three times the pre-war figure. Those branches of farming, such as dairying, which use larger amounts of labour are feeling the pinch. Yet over agriculture as a whole the continued reduction of debt, the large scale purchase of equipment, and rising land values indicate that the farmer himself considers that he is in a prosperous position.

As in all countries, the middle-class employee finds, on the whole, that his position has worsened. Gradually, salary readjustments and income tax reductions are affording him some relief but there are many in the older age-groups from whom the burden will never be completely lifted.

Government finance and monetary policy have fought a none too effective defensive battle against inflation. Interest yields on Government bonds stiffened abruptly in January

and February, 1948, when, apparently, the Government had used the whole of its cash surpluses and drawn down its cash balances to the extent of \$500 millions in retiring and buying in bonds being sold by the public and the banks. The increase in interest rates spread to other securities but there is no evidence that this has, to any significant degree, affected the investment programme.

During 1946-47 the Bank of Canada and the Treasury, by their operations, kept the amount of bank cash nearly constant, with the chartered banks straining at the leash and letting their cash ratios fall in their eagerness to extend current loans. During 1948 bank cash has been allowed to rise somewhat. The authorities have apparently been unwilling to force out more bonds than could be absorbed at current prices by the Government's cash surplus.

The Government has been in a fortunate position to combat inflation as it has had unexpectedly large budget surpluses since the War. In 1946-47 there was a substantial budget surplus though not an over-all cash surplus when account is taken of the loans and advances made. For the fiscal year ending March 31st, 1948, the budget cash surplus was \$727 millions, or more than one quarter of total Government receipts. The net cash surplus (that is, the surplus of revenue and advances repaid over all expenditures and new advances and loans) was nearly \$500 millions. Despite substantial tax reductions, the budget surplus seems likely to be of equal size in 1948-49, but advances to the Exchange Board will greatly reduce the net surplus.

At the moment the price rise has stopped, at least temporarily, but there have been no very important price decreases and the soft spots in the price structure are very much less frequent than they are in the United States. The indications are that the investment programme for this year will be at least equal to that for 1948 and whatever slack develops in particular industries is likely to be more than offset by the effect of increased defence expenditures on others. Any early recession seems more likely to come from a decline in exports rather than from a collapse of internal investment.

THE UNITED STATES DOLLAR SHORTAGE.

In this period of high and somewhat uneasy post-war prosperity one problem has occasioned great anxiety. The

first impact of the United States dollar shortage on the Canadian economy was sharp and startling. In itself it was not, however, of long-term importance nor was it significant of any particular weakness in the Canadian economy. Yet it was a symptom of world conditions which have serious implications for the future.

The elements of the problem, as it immediately affected the Canadian balance of payments, were very simple. It has been a characteristic of Canadian booms in the past that Canada has been an importer of capital. Immediately after the War, she assumed large external commitments through U.N.R.R.A., the I.M.F. and in loans to the United Kingdom and to Western European countries. Total commitments, which were to be spread unevenly over five years, amounted to nearly \$2,000 millions. To meet these commitments without loss of exchange reserves would have meant achieving a surplus on our current international balance of payments of an equal amount unless part of the commitments were offset by an inflow of capital. Probably no one expected this programme to be carried out without some loss of exchange; Canadian reserves were high and a moderate loss would have been unimportant. In the event, the actual loss was very great: in eighteen months, exchange reserves fell from \$1,667 millions to \$480 millions.

There had been a coincidence of unforeseen circumstances. A short crop in Europe in 1946, the rapid rise in United States prices, and the early failure of the United Kingdom and Western Europe to achieve their export targets led to drawings on both the United Kingdom and European loans much larger than had been anticipated. In 1946-47 drawings amounted to \$682 millions. At the same time the home investment boom brought an immediate rise in imports and, in default of European sources of supply, they came from the United States. The result was the swift loss of exchange.

In meeting the crisis the Government was slow to act but, when it came, action was vigorous. Imports from the United States were sharply cut by means of prohibitions, quotas and import licences, and exchange allowed for foreign travel was strictly rationed. Other events, however, determined that the recovery would be almost as rapid as the decline. The drawings on loan commitments slowed down greatly or were temporarily stopped; exports to the United

Kingdom and to a lesser extent to Europe were turned into cash by E.R.P. purchases whilst imports from the United Kingdom and Europe finally emerged in substantial volume and Canadian exports to the United States rose steeply. In 1948 the increase in value of the latter was as much as 42 per cent. over the previous year. The outcome has been a rapid recovery of about half the exchange loss, some relaxation of import restrictions, and the resumption of drawings on the United Kingdom loan.

THE STRUCTURE OF THE ECONOMY.

The immediate problems are not serious or too difficult to handle but what of the more distant future? While the world is desperately short of goods and while the United States is willing to provide the means of payment the high level of our economic activity can be maintained. What sort of world is being built up in the meantime? Canadian concern can best be understood if we look at some relevant basic facts.

The consideration which every Canadian will stress, till his listeners are weary, is the vital importance of export trade. This view does not arise from economic theory which it is now customary to dismiss as belonging to the 19th Century. Within the foreseeable future, at least, it has been determined by nature. The known accessible resources of Canada are large and specialized. For a great part of the moisture-deficient soils of the Prairie Provinces, with their unusually high fertility, the most profitable use, by a wide margin, is in the growing of grain. These resources can be fully used only for a world market. Again, much of the surface of Canada provides wood and water-power which are relatively cheap because their alternative uses are limited. In other areas the chief resources are metallic ores and water-power for their reduction. If all these resources are to be used fully a large proportion of the resulting production must be exported.

It is no answer to say that, with a larger population, the Canadian market could be made adequate. A larger domestic market would, it is true, absorb some export surpluses, but a population able to absorb even a substantial part of our present chief export commodities would be without the means to buy necessities which we so strikingly lack. The most heavily industrialized and populated part of the country is without coal, most of which must be imported. Eastern Canada is

virtually without petroleum. In the third quarter of 1948 the value of Canadian exports of wheat and newsprint was little more than enough to pay for imports of petroleum and coal. Many other basic materials must be imported. Large imports of machinery, parts for motor vehicles and other durable goods are evidence of industrial immaturity as well as of some profitable division of labour with the United States. Not only are large imports essential but the Canadian "propensity to import" is very high. Wherever the awful example of the country which wishes to sell but not to buy is to be found, it is not in Canada.

Contraction of Canadian exports would sharply reduce Canadian incomes and force a reduction of imports. A permanently lower level of exports would necessitate fundamental structural readjustments which might well daunt any country. It would involve the partial abandonment of some of our most valuable natural resources in order that labour might be used in replacing imports and the processes for effecting such structural readjustment would unavoidably be costly and painful.

The world in which the Canadian economy was shaped was the world created by the industrialization of the United Kingdom and Europe and the revolution in land and water transport. When the British negotiators of the Peace of Paris in 1763 pondered as to whether they should hand back to the French Canada or the islands of Guadaloupe and Martinique, they were halting between two eras. The final choice to retain Canada reflected a premonition that the future needs of an industrialized United Kingdom would be the food, timber and metals of the continental interiors.

The early settlements in Canada lived precariously on the edge of a developing world system of which the United Kingdom was the focus. It was not until the end of the 19th Century that the Canadian economy was drawn fully and effectively into it. The railway, the overseas market, improved grains and farm methods, and a favourable turn in prices and costs made possible the swift settlement of the Canadian Prairies as a grain-growing area.

This was the first of a number of sectors which the Canadian economy developed in successive historical periods. From the 1890's to the First World War expansion was to serve the United Kingdom and European markets. There

were, of course, other exports—lumber, some metals, fish, cattle—but wheat was predominant. Manufacturing industry, except such as went on in saw-mills and flour-mills, was chiefly of the older protected type based on imported raw materials—sugar, tobacco and cotton. A primary iron and steel industry was built up chiefly on the basis of the market for railway materials. These industries were dependent entirely on the domestic market and expanded with it.

A number of events changed this simple picture in the inter-war period. The removal of the United States tariff on newsprint and the development of processes for treating the complex non-ferrous metal ores of Ontario and British Columbia resulted in a whole new dynamic industrial sector. Cheap hydro-electric power was a decisive element in the processing of these hitherto unused native resources of the forest and mine and, more recently, has attracted imported raw materials for the aluminium industry. The opening of the Panama Canal made it possible for British Columbia to enter world markets, escaping the limitations of the domestic market. From the time of the First World War this new sector, embracing the pulp and paper industry, the non-ferrous metal industries and, to a certain extent, the chemical industry, has grown in breadth and depth and has produced vast new exports consigned mainly, but not wholly, to the United States market.

Still another important sector of Canadian industry was built up in the field of automobiles and other durable goods. Starting in Ontario as no more than a heavily protected assembling operation it developed into a strong industry, still dependent on United States engineering and parts, but with wide ramifications in the iron and steel, non-ferrous metal and rubber industries. Cramped by the narrowness of the Canadian market, it found in the British preferential agreements an opportunity to develop substantial export trades with Australia, New Zealand, British India and other parts of the Empire. From time to time it exported also to other countries. During the last War, this sector of Canadian manufacturing became a major source of mechanical transport for the Allied armies.

Industrialized areas of Canada are comparatively near to the industrial centre of the United States and have drawn from it technical assistance and many of the external economies of large-scale industry. During the last War, there were two

developments of great importance to the Canadian economy. First, there was a great growth and spreading-out of United States industry, with the result that our industrial areas are now no further from the industrial centre of gravity of the continent than are many branches of United States industry. The iron and steel industries of Ontario now fall fairly well into the continental pattern. Secondly, many Canadian industrialists discovered that, with a larger volume of business, more capital equipment, and more managerial experience, they could match or even better United States costs and they began to think realistically of trade with the United States becoming a two-way trade so far as manufactures were concerned. This is of particular importance to the automobile industry.

These are the dynamic sectors of the Canadian economy. They dominate the whole. In the main they, in turn, are dominated by export markets.

THE PATTERN OF CANADIAN TRADE.

There is a general impression that, over the years, Canada has been drawn more and more into the orbit of the United States. Up to a point this is true but the position is, in fact, more complex. Since the First World War, capital imports and the borrowing of industrial techniques and managerial experience have come almost wholly from the United States. In contrast, as between overseas markets and the United States, the distribution of our export trade has been remarkably stable. In 1877-78, 64 per cent. by value of Canadian exports went overseas. In 1907-08 the percentage was 63. In 1937-38, by reason of a short crop and a brief United States boom, it was 60, while in 1947 it was again 63 per cent. Only in 1948 did the percentage begin to drop seriously and for recent months it has been less than 50. It is true that the percentage of exports going to the United Kingdom has tended to decline in the last thirty years. Until we reached post-war years, however, the decline was only from 50 to 40 per cent. It reflected, not encroachment by the United States, but the widening of markets in other countries, both in the Empire and elsewhere.

Despite industrial growth the predominance of food exports has been a continuing strong feature in our export trade. In the 'twenties, when Europe was open to our grain, about 50 per cent. of total exports was made up of food. By

far the most important markets have been the United Kingdom and Western Europe. In 1926 food made up 80 per cent. by value of our exports to the United Kingdom and two-thirds of those to countries other than the United Kingdom and the United States. Among these, the most important area as a food market was Western Europe. It will bear repeating that almost the whole of Canadian development has paralleled the growth of a food-deficiency area in the United Kingdom and Western Europe. Increasing industrialization and expanding population provided a natural market; competing uses of land tended to restrict the growing of bread-stuffs and the narrowness of the North Atlantic and the access from it to each continent made transport efficient.

Within the food field it is important to bear in mind that Canadian competitive strength is in grain and grain products, particularly wheat. The United States metropolitan areas offer markets of some value for such products as cattle, butterfat, potatoes and northern fruits. The historical evidence is, however, that Canada cannot compete continuously in world markets in fodder-fed or pasture-fed livestock and livestock products. Our comparative advantage lies in grain and in grain-fed livestock and livestock products—wheat, barley, bacon and probably eggs. Prices of these products support all other Canadian food prices. When markets for grain are limited our entire agricultural prices and income structure collapses. Our largest market for food has been traditionally in the United Kingdom, but in the 'twenties, before the markets of Western Europe were closed, the value of our food exports to other countries was substantially greater than to the United Kingdom. The loss of the Western European food market was a decisive factor in the Canadian agricultural depression of the 'thirties. Markets for grain are still vital for the Canadian economy.

In contrast to exports imports have been drawn mainly from the United States. This, however, is not a recent trend. It is seventy-five years since imports from the United States first exceeded those from the United Kingdom. Coal and petroleum have long been our largest imports, and these come from the United States. From the 1880's onwards, British iron and steel, dominant in the previous era, steadily lost ground. The newer industries of the past thirty years, based on electrification and the internal combustion engine, have

drawn heavily on imports from the United States. In the whole field of machinery imports, the easy availability of technical advice turned the trade toward the United States, while, as regards consumer goods, widespread United States advertising together with the willingness to provide what the market desired swung the balance. Yet the trend should not be exaggerated. In 1913 imports from the United States were 64 per cent. of the total. In 1927, when the United Kingdom and Europe had recovered from some of the effects of war, the percentage was 65. In 1937, influenced by the Ottawa Agreements, it was 61. In each period of boom the preponderance of imports from the United States increases temporarily.

The United States and the United Kingdom dominated our external trade, but before the War one quarter of our exports went elsewhere and a fifth of imports came from other markets. In the freer days of the late 'twenties almost 40 per cent. of Canadian exports went to other markets. Neither the United States market nor Empire markets nor the two combined have in the past been an adequate answer to the Canadian export problem. Only world markets have been sufficient.

THE CANADIAN BALANCE OF PAYMENTS.

So much has been said about recent balance-of-payments problems that one is apt to forget the abnormal nature of these relations. It was part of war-time planning to create an enormous unbalance between Europe and North America and to call it Mutual Aid or Lend-Lease. This effort has had to be extended into the reconstruction period. Some Canadian exports are still controlled in order to direct them to the United Kingdom. The inferences to be drawn from the present unbalance are inferences for a future war, not for periods of peace.

The most conspicuous element in the pre-war Canadian balance of payments was the continuous debit balance on current account with the United States. In eight of the thirteen years from 1926 to 1938 Canada had a surplus from the exchange of goods and services with the United States but not a sufficient surplus to cover the whole of her interest and dividend payments. In the other five years she had a deficit in goods and services financed by a substantial import of

capital from the United States and not by a credit balance with the United Kingdom.

In the same thirteen years Canada had a debit balance with the United Kingdom for six and a credit balance for seven years. Only from 1936 to 1938 did the latter rise above \$100 millions.

To no great extent was it true that Canada continuously depended on selling the proceeds of sterling exports to pay for dollar imports. The gap was normally not great although Canada did use the proceeds of her net credits not only with the United Kingdom but with other Empire and other foreign countries as well to pay some of her interest and dividend charges and, from time to time, to reduce her indebtedness to the United States.

The Canadian balance of payments has been highly variable. Food prices are not stable. Imports of consumers' durable goods and capital goods from the United States are highly volatile and, when there is freedom of movement, negotiable securities move back and forth across the border with great rapidity. It is chiefly because of this rapidity of change rather than because of any steady drain that Canada is greatly concerned over the multilateral convertibility of currencies. Without ability to use exchange resources when and where required the pre-war Canadian economy would have been forced into an even narrower space than that which it uncomfortably occupied.

CANADIAN INTERESTS IN THE POST-WAR WORLD.

In much of the field of external policy the views of Canadians are neither definite nor coherent. Their interests are not apparent and their knowledge is limited and unsure. This is not true in our relations with North Atlantic countries. Canadian participation throughout two World Wars, during part of which the United States was neutral, is not so much a reflection of our British origin as a sense of our place in the North Atlantic community and in the world which that community created.

Canadians have been very clear, therefore, that their interests, sentiment apart, required the fullest restoration, economically and politically, of the United Kingdom and Western Europe. Only because there was a general understanding of this was it possible for the Government to under-

take, in addition to its share of military relief, U.N.R.R.A. contributions and support of U.N. agencies, a phenomenally bold programme of external lending. Loan commitments, undertaken in 1945-46, of about \$1,850 millions are objective evidence of the perception of this interest. "If the United States had granted credits on a similar scale in relation to national income, they would have totalled roughly thirty-three billion dollars—enough to include the proposed E.R.P. total in addition to all post-war credits already granted."¹ By far the largest commitment was that to the United Kingdom (\$1,250 millions) but it was not larger relative to trade than those to Western European countries.

While there are many Canadians of British origin who supported this programme in a spirit of loyalty and generosity it should be borne in mind that more than half the population of Canada is non-British in origin. The strong support in Parliament can be explained only as springing from an appreciation of long-range interests, both economic and strategic. It was considered good sense that valued customers should be financed through a period of difficulty in the expectation that they would again be customers. It was deemed vital that the United Kingdom and Western Europe should be re-established as strong Powers.

The Canadian Government emphasized its intention that the loans should help in the restoration of multilateral trade, the removal of discriminatory import controls, and the ultimate establishment of convertible currencies. In the long run Canada cannot use her resources fully unless she has a wide-flung export trade and this cannot be established by bilateral agreements. Grain is the most important of our overseas exports and planned surpluses and deficits of grain are likely to differ sharply from actual results. It is small advantage to have a preference in one market if part of the surpluses must be sold in markets which give preference to others. Long-term contracts are of little value if they leave a balance unsold. It is clear enough that bilateral balancing of accounts reduces and does not expand trade. It is associated in Canadian minds with the reciprocal impoverishment of the 'thirties.

Canadians have, on the whole, less theological views on trade discrimination than are common in the United States.

¹ R. B. Bryce in *Foreign Economic Policy of the United States*, Edited by Harris, (Cambridge, Mass., 1948), p. 139.

Before the Ottawa Agreements the Canadian preferential tariff was, in the main, a practical device for giving better tariff treatment to low-tariff countries than to the United States. It was, at times, difficult to defend under most-favoured-nation principles but it was practical, sensible, and drew political support. Despite the fact that certain preferences had a definite value to Canadian exporters support for the Ottawa Agreements was never enthusiastic or firm. The network of bound margins of preference was inflexible and the preferences were, in the main, created by raising tariffs. Though the Canadian Government was firm in its resistance to United States attempts to secure the abolition of preferences it was prepared to reduce them in return for reciprocal concessions. There were two cogent reasons for this. The preferential system, as an arrangement among countries with mutual interests in freer trade, was doomed from within. Australia, New Zealand, South Africa and India were intent on post-war industrialization. The United Kingdom herself inclined to the view that freer trade was a policy specially suited to the United Kingdom in the 19th Century and to the United States in the 20th. The second reason was that the main objective, in the interests of Canada and of the whole world, was a reduction in the United States tariff and a more liberal administration of it. For this greater advantage Canada was willing to reduce preferences as well as duties.

In the Canadian view it will be impossible to maintain full employment *and* a rising standard of living in a world in which investment for a long time will be high, unless there is a widespread freeing of trade. It is quite accepted that those countries which have had the highest protection must make the greatest concessions. It is also recognized that during a transition period of uncertain duration it will be necessary to curb and direct trade by quotas and licence requirements. Indeed, it was a Canadian criticism that the United Kingdom did too little directing of exports in the early post-war years. Unwelcome expedients are acceptable, however, only if they ultimately lead to a strong sterling, convertibility of current earnings and multilateral trade. Canadians have some uncertainty about this outcome. The United Kingdom is naturally concentrating on immediate difficulties to which multilateralism offers no answer and there is a disinclination to make commitments for the future. Patterns being established by the

expedients of the transition period will be difficult to break later. It is easier to build up bilateral agreements than to disentangle them. Protection, whether for currency or other reasons, creates vested interests.

It is fear on these scores that has alarmed Canadian industry as import permits have been refused to their customers of long standing not only in the United Kingdom but in the West Indies, South Africa, and elsewhere. Some reassurance has been given through the issue of nominal import quotas by the United Kingdom and the West Indies for established lines of manufactured goods. At least the trade names are not entirely eliminated. The arrangement offers a slight hope that the expedients of this critical period are not looked upon as permanent, but it has not relieved the pressure to establish Canadian plants in the sterling area.

With the sterling area as a banking arrangement Canadians are not concerned. They are anxious to see London recover its position as an international banker; they are concerned that sterling should ultimately emerge as a strong currency; but they are not yet convinced that Britain's present policies of taking advantage of possible credit extensions through payments agreements or buying in the dearest markets provided the seller will accept sterling, necessary as these expedients may be, are likely to make sterling a strong currency. They have been greatly encouraged by the vigour and persistence of the dollar-export drive though concerned at the evidence that British export prices are high. If price levels are such that it is more profitable, in the present situation, for British firms to export to the sterling area rather than to the dollar area there is need, now or ultimately, for adjustment.

Canadians realize how profoundly the United Kingdom balance of payments has been changed by the War. They recognize that she must sell much more to the Western Hemisphere and buy less. So far as one can judge there is general willingness to buy more United Kingdom and European goods. As yet, there has been no test since demand is far from satisfied. They also realize how much indebtedness to the rest of the sterling area the United Kingdom has incurred and what a draft that could make in the future on her potential exports. When they see how little that debt has been written down they wonder if Mutual Aid left us without means of bargaining.

It is quite clear that our strongest export to the United Kingdom and Western Europe will continue to be grain. The future for manufactured exports there or in the sterling area is not bright once present scarcities are overcome. There is under way, therefore, a considerable readjustment of trade toward the United States. Favourable circumstances have led to a great increase in exports to the United States in the past year but the more fundamental changes are coming about more gradually. Expansion of Canadian manufacturing and the development of new resources promise to reduce the need for substantial imports of manufactured parts, processed metals, chemicals and petroleum. But, in addition, it is necessary to offset Canadian imports of manufactured parts by some export of parts or assembled manufactures. There has been promising progress in this during the period of trade restriction and there is hope that, having achieved an adequate volume, the trade may continue when the restrictions are withdrawn. Canada would evidently be prepared to engage in another round of trade bargaining with the United States, if further authority were given to the United States Administration. The number of manufacturers who would support this is a new phenomenon. There is little interest, however, in a customs union which would, in effect, transfer Canadian tariff-making to Washington.

If her resources are to be used to the full, and most effectively, Canada needs, in her external economic relations, larger scope than could be afforded by exclusive relations with the British Commonwealth or the United States or both of them combined. Short of the ideal solution—a peaceful and rational world—some form of North Atlantic association embracing the countries of Western Europe, the United Kingdom, the United States and Canada offers an environment most closely suited to Canadian needs. With the strategic facts and considerations which are a vital part of such a project this article is not concerned. Historical and trade factors are very strong. This is the core of the world in which the Canadian economy was fashioned. Neither from the point of view of trade nor of strategy can any of us afford to neglect the narrowness of the North Atlantic. In time of war North America must be a major source of supply for Western Europe and what is crystal clear in war-time ought not to be clouded in time of peace. There have, necessarily, to be great shifts in

balance of payments but, if they are to be effective and healthful, they must be in accord with economic facts and not in conflict with them. As Canadians see it, it is only in such a larger association that they can avoid the unwelcome choice between the British Commonwealth and the United States. It is only in such larger setting that the United Kingdom can avoid a fatal turning of her back on North America for the sake of the sterling area.

For obvious reasons we are all engrossed in balance-of-payments problems. Now, and in the immediate future, they will be very pressing but we tend to become so over-sophisticated that we forget that they are not the ultimate long-run problems. If a country can earn its living it can, in the long run, adjust its balance of payments, as indeed it must. The most important economic fact at present is that, in the face of limited productive capacity, we are all trying, for the most urgent reasons, to achieve inordinately high investment of capital. To this extent, we are deliberately creating a shortage of dollars. It was the experience of the War period that at such times requirements always exceeded estimates and that results were slow in appearing. It was also war-time experience that the ultimate outputs achieved by such investments usually exceeded the estimates, and that there was more margin for adjustment than anyone had expected. While the primacy of Europe has gone, no one need doubt the ability of Europe, co-operatively organized, to earn a standard of living better than the pre-war level. In Canadian opinion that standard will be all the higher if it is achieved in a wider association and from that association Canada would not willingly be excluded. In these days of desperate economic expedients, however, Canadians are apt to feel the need for repeated reassurance as to the ultimate direction being chosen.

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British Horticulture

A Vital Industry

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I. INTRODUCTION.

IT is my purpose to define the importance, and to stress the needs, of up-to-date market-gardening as one of the foundations of any sound economic structure in Great Britain, alike in peace and in war. It is a key industry, based on continual scientific research, and has done much to promote fertility in other branches of husbandry besides horticulture.

Not until detail and generalization are firmly welded together shall we perceive whence we have come and whither we may safely and rationally go. Before, however, embarking on an analysis of our difficulties and our grievances, I want to substantiate the claim that British horticulture is a key industry involving not only sectional but national and, indeed, world-wide interests. Of course, if I could give to my readers ocular demonstration on a farm of our scientific methods that would be far more compelling and convincing than descriptive prose.

At meetings of the British Association held at Brighton in 1948 prominent scientists uttered some grave warnings on the danger of a world food famine within the next fifty years. As a practical husbandman I dissent from the views expressed. I am convinced that if everybody responsible for the production of food gave the land (and its produce) all it is entitled to, then gross tonnages per acre would be so greatly increased that any big expansion of acreage would prove unnecessary. And this conclusion is, I think, in substance confirmed in an article entitled "Feeding the World's Peoples" which Professor L. Dudley Stamp contributes to the current issue of *Westminster Bank Review*.

Experience after two World Wars has taught, even in this self-centred island, not merely that we should think internationally, not merely that we should grasp firmly certain principles, but also and more emphatically that we should have knowledge. And knowledge means that we should seize the infinite variety of the reality. It is precisely because Professor Stamp unites appreciation of our own rural needs with spacious horizons in the world at large that his article is impressive and carries conviction. Having acquired a wider familiarity with

detail than some authors, he exhibits, both here and in his other utterances, the large features of the case with more cogent and persuasive mastery.

It is quite true that we have reached a period when no form of patriotism can be deemed enlightened which is not affected by cosmopolitan considerations. But as a great humanist (H. A. L. Fisher) reminds us in *The Common Weal*, "the foundation of altruism is a good healthy stock of egotism. Nobody can do his duty to the city unless he first does his duty to himself. It is everybody's duty to make himself as healthy as he can be." This axiom is just as applicable to an industry as it is to the individual, and in this context we should not overlook a pertinent remark of Professor Stamp :

If the yield of crops throughout the world were anything near the yields to which we are accustomed in Britain, even in years of bad harvest, there would be no food problem. . . . It is not going too far to say that the future is likely to see the whole world turning towards the British model in farming rather than the reverse.

That, he avers, is the only hope for the future and, with the earth's population increasing about 20 millions a year, calls "for the full range of modern technical skill." If this assumption be correct it is of vital consequence to the whole of the human race that nothing should be done to undermine the health and progress of British husbandry in any section.

I have dwelt on these passages at length, perhaps at excessive length, because I sometimes wonder if the charge levelled against a certain school of economists of being too narrow does not contain a particle of truth. They are, or they may only seem to be, so much concerned with the relations of economics to the international situation that they seemingly leave out several important aspects of human experience, among them the real need, from many angles of vision, of maintaining a robust, contented, and progressive population in our own countryside. A clear conception of the social and economic conditions under which the rural life of Britain develops is essential. Without it the meaning of events and their true proportions are obscured. We shall never get to the heart of the matter until we cease to flatter the prevailing impulse of the time, and until we plumb and gauge every vital and relevant factor in these wider questions of sociology. In the whole range of human relations and social opportunity food problems are as hard as any to weigh, to test, to focus, and to adjust ; but what we desiderate is an accurate diagnosis,

not a judicial sentence, and it has to be borne in mind that there are instances where, though the abstract academic reasoning may be unanswerable, the concrete case the other way is irresistible.

If then Professor Stamp is correct in his assumption that the future is likely to see the whole world turning towards the British model in farming, what should be our aim and purpose? It is on quality, alike in methods of cultivation, grading, and distribution, that we must increasingly depend, it is by raising the permanent yield of the soil rather than by an extensive acreage that we should now strive to excel. And if this is a creed which rests upon a rational ground and can be exposed to logical tests, it is surely a reasonable plea that Government should not restrict and sterilize, but rather seek to encourage and expand, the enlightened and progressive facilities and opportunities which incontestably exist at our horticultural farms. Of course no knowing and impartial person would for one moment accuse the Government of such restrictive conduct with malice prepense. Horticulture is being mishandled so grievously largely owing to heedless, uninformed, intentions and to a failure to seize the infinite variety of the reality. For on the subject of market-gardening there really is a great deal of crude and indeterminate opinion in the House of Commons and elsewhere.

What is involved is the management of a very complicated industry, and its prosperity depends not a little upon long training and skilful marketing and is subject to peculiar difficulties which must be argued on their own merits.

It will, I am quite confident, be conceded by all competent judges that we have reached a very high standard of excellence in many of our horticultural farms; they are visited by scientists and by foreigners of distinction. Everything is meticulously integrated, yet the master grower never allows his faculties to be cramped within a narrow province of static knowledge, and his aim should always be to make intellectual dissatisfaction victor over constricted complacency. Thus by direct research he is continually helping to build the whole science of husbandry on firmer foundations. A modern horticultural farm might, indeed, in some of its aspects be compared to a laboratory. Here the youth of plastic mind may learn the methods of approach to new problems, for here old knowledge is merely an impulse in the search for new, and here he or she should be

both inspired and equipped for enlarged responsibilities in days to come.

From these premises it follows that a horticulturist cannot be made overnight; and this problem has perforce to be seen not, as the hostile critic insinuates, from any sectional or selfish interest, but in terms of a national whole. If we had no fully trained experts then, in the event of another war, we should be in a far worse posture than in 1939. Certainly this affirmation calls for no irony, and only a superficial observer, not able or willing to examine the facts before taking them for granted, has the right to doubt its accuracy. To take a single illustration which might easily be multiplied, during the War the glasshouse industry produced a greater annual tonnage of tomatoes than the pre-war home crop plus all imports. What this and other supplies of fresh produce meant in terms of public health during the strain of war our medical and food experts have abundantly testified.

The British horticulturist, indeed, is one of the nation's most efficient workers and certainly one of its hardest. He can produce 20 tons of onions to the acre where the farmer harvests on the average 7.5. If he is sacrificed upon the altar of short-term political exigencies let there be no mistake as to the exceeding value of the instrument that is being laid aside. Market-gardeners are pioneers in scientific production, and the damage to our whole agricultural output will be irreparable and the mistake irretrievable.

From the information I have given it is evident, I think, that the maintenance of a healthy horticultural industry in Britain is of great national and even world-wide importance, and that every encouragement should, as both Socialists and Conservatives have advocated, be given to the production of those perishable foods which are marketed in a fresh condition from our soils.¹ Too much stress cannot be laid on the high nutritional value and vitamin content of really fresh vegetables marketed from our home soils. They are the just due of our industrial workers.

With the passage of the years I have myself come to take Party Manifestoes for what they are worth—that is, for next to nothing. Much might be said, if it were worth the saying, on the disparity of promise and performance. I am, however, anxious to eschew all Party issues and to rise above mere

¹A newly cut lettuce is of much greater nutritional value than one that is not so fresh and has been exposed to adverse climatic conditions in transit.

sectional views and would gladly pass these vote-catching devices *sub silentio* but for two cogent reasons. First, we have been officially encouraged and repeatedly urged to train ex-Service men for horticulture, but now they see a disturbing number of efficient and smaller growers on the brink of bankruptcy owing to circumstances wholly beyond their own control. From reliable information I grieve to say that this trouble is extensive and increasing. Secondly, at least 60 per cent. of British growers have holdings, expensively equipped, of ten acres or less, and these modest and deserving people are being stunned by the weight of their misfortunes and cannot adjust themselves to their worsening position. I shall, as quotations there must be, cite selected passages from Conservatives and Socialists with strict impartiality.

It has been laid down by all Parties that it is of vital consequence that Great Britain should encourage a thriving rural population. The Conservative Party, as recently as June 1948, issued a statement of policy under the title *The Agricultural Charter* and the following passage is printed in leaded type :

We are determined to bring home to the overcrowded population of our islands the grave danger of real food shortages, which might well lead in times of emergency to the risk of starvation. That is why we are resolved to give home agricultural production the highest priority, and to introduce a sense of urgency, of continuity and of certainty into policy.

Furthermore, the *Charter* is adorned with illustrations, including one opposite page 36 which depicts tomatoes inter-cropped with lettuce in Northern England and bears the superscription, likewise in leaded type : "We will protect British horticultural producers from the dumping of foreign surpluses."

The full text of the Conservative resolutions of last June about horticulture is printed on pages 40 and 41 of the *Charter* but they will bear repetition here :

There is also great scope for further increase in horticultural production. The demand for fruit and vegetables has grown greatly in recent years. Horticulture has a particular contribution to make to the variety and nutritional value of our diet.

We will introduce safeguards, whether by way of sliding tariffs adjusted to seasons or in other ways, to

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protect British producers from the dumping of foreign surpluses. As a safeguard against home-produced gluts we favour the introduction of more quick-freezing plant.

We shall encourage growers to set up a comprehensive marketing scheme.

The Labour Party, whose *locus classicus* is a publication which is entitled *Our Land*, argues the case for the necessity of stabilization of fair prices, and for the adoption of a comprehensive system of IMPORTS CONTROL, with incomparable trenchancy and force. On page 7, under the caption OUR HOME FOOD PRODUCTION, we are assured that with the advent of Labour to power the following should enter as fashioning principles and guiding motives into the life of the country:

Production would be based primarily upon the production of those essential protective foods, which our agriculture is exceptionally fitted to provide, such as meat, milk, eggs, vegetables and fruit.

All that has happened since 1932 has strengthened the case, so forcibly stated in the Party's Memorandum of that time, for the necessity of the stabilization of fair prices, and for the adoption of a comprehensive system of IMPORTS CONTROL. It is impossible otherwise to have an industry that can provide good wages and attractive working conditions to those employed in it, and be alert and progressive.

Again in LET US FACE THE FUTURE (a Declaration of Policy issued in 1945 with a clarion tone on the authority of the National Executive of the Labour Party and inviting the widest discussion "not only by the Labour Movement, but by all men and women, at home and in the Services overseas") the following passages are given very great prominence:

Our agriculture should be planned to give us the food we can best produce at home, and large enough to give us as much of those foods as possible there must be stable markets, to the great gain of both producer and consumer.

I am, if truth be told, myself not altogether clear what exactly in this grim present world is the rôle of the Angel of Light, for the difficulties are very formidable and nothing would be more fatuous than to regard this problem as simple, but, to speak within bounds, I am far from sure that the Conservatives in office would have been able to live up to all the detailed implications of *The Agricultural Charter*.

My object in writing this article is persuasive ; it is not to raise difficulties but to further constructive expedients which should comprise the real interests of consumer and producer and aim at promoting long-term and world-wide prosperity.

Our complaint and our hardship is that the industry has, with needless waste of effort and resources, been compelled to waver between conflicting policies. The decision in these matters rests with Government. I do not want to be controversial but judicial. Yet who with an eye in his head and a knowledge of the facts can deny that official irresolution and lack of vision, culminating in quotas which in my view are the worst possible means of regulating foreign imports of perishable produce, have incapacitated growers from cutting their losses betimes or taking such opportunities as there were. Much real distress could have been avoided by timely notice of impending changes. I do plead, with great earnestness, that, as regards commitments in the future, objections to the quota system may be given sympathetic consideration. As regards the problem of tariffs, to which I attach a reasoned importance, I know of the things which can reasonably be said on the other side ; but I have certain countervailing considerations to plead which are occasionally overlooked, and these I reserve till a later page.

It is evident that history is repeating itself, for the same fear exists within the ranks of the industry today as during the depression after the 1914-18 War. What is so tragic and disheartening is that the Growers' Organization and the Ministries concerned appear to have no agreed policy for horticulture, so that instead of remedial action being considered the hand-to-mouth process continues without interruption.

Of one thing we may be assured : all these problems may be variously debated, for as Sir Robert Peel said over a century ago, " the arguments are never all on one side in any political or economic question." It is almost impossible for me as a son of the soil not to have overpowering convictions in this controversy, for undoubtedly it is a very difficult task to be alternately witness and judge, to feel strongly, and yet to analyze coolly, and I do hold that the industry is *sui generis* owing to the *perishable* nature of our produce. I know and appreciate that *Lloyds Bank Review* is closely identified with promoting a maximum flow of international trade ; the Bank nevertheless publishes these various articles " in order to stimulate *free discussion and full inquiry*." In this spirit I

shall endeavour to write, applying for the time such methods as are calculated to free myself from the influence of personal bias.

Although I am writing now primarily for the intelligent general reader, for the layman rather than for the grower, it will be readily appreciated that statistical data (mainly in the form of graphs) must be furnished if we are to gain a clear and rapid conspectus of the whole position. But I shall take the reader as rapidly as possible through the dreary patches. While various illustrations are indispensable they will not be allowed to obscure nor block the central ideas, and I shall make it my first aim so to subordinate the exposition of statistics that they do not get in the way of my argument.

It is impossible to separate horticulture in many of the figures which cover agriculture as a whole, chiefly because some fruit and many of the commoner kinds of vegetables are grown by farmers as part of their farm cropping. Thus the figures are not confined to horticultural holdings alone.

Horticulture may be divided into five sections :

Vegetables (extensive and intensive).

Fruit (hard and soft).

Flowers (grown in the open or under glass).

Greenhouse (food and flower crops).

Nursery (herbaceous plants, trees, and shrubs).

This article will deal chiefly with food crops.

I now propose, after a brief reference to the War effort, to touch upon the development of commercial horticulture during the present century, gradually leading up to the governing factors of today. I shall then seek to establish what the equities of the case demand and the remedies and solutions which, in my submission, are urgently called for. I shall advocate the transfer, by mutual consent, of a large war-time acreage of vegetables to the production of cereals, meat, and dairy produce. I shall press for much concentration of effort and many improvements of method ; for the development on a vast scale of research and educational work ; for a due measure of protection against *unfair* dumping of foreign produce and for proper seasonal regulation of its entry into our markets ; and, as a cardinal requisite of social progress, for some lightening of taxation so that the industry may not

be starved of resources essential to its development and indispensable for its survival.

II. GROW FOR VICTORY.

In the perilous years Ministers had this idea in their heads, but growers, and let it be underlined farmers also, had more than the idea, they had plans, and the courage to propose and maintain them. Unless the farmers had wholeheartedly co-operated there would have been failure and not success. This should never be forgotten. I am, indeed, both eager and qualified to emphasize this because during the War it was my official duty to promote the development of vegetable culture throughout the length and breadth of the land.

With the fall of France and the Benelux countries and the loss of the Channel Islands we became almost entirely dependent upon our own resources for horticultural produce. Space will not permit the whole story to be retold here of how the emergency was confronted, but one achievement may be recorded: the efforts of all concerned were so great and persevering that at no time during the War was it necessary to ration vegetables. The Ministry of Agriculture, in close collaboration with the National Farmers' Union, guided the industry from normal peace-time production to supplying the greatly increased needs of a nation at war. This constant supply of fresh produce meant an increase of 80 per cent. in the vegetable acreage over that of 1939. Increase of acreage with high yield of food per acre was continually urged, luxury crops were discouraged, and temporarily quality was at a discount. Land normally applied to other purposes was turned over to vegetables and soft fruit, so that by 1944 horticultural crops covered one-thirtieth of the total area used for all agricultural purposes; the market value of horticultural crops on the farm in 1944 was no less than £120 millions, and at that figure represented approximately 23 per cent. of the total output of British husbandry.

Such, in barest outline, was the measure of war-time achievement. Presently, with tabular annexes and graphs when required, I shall fill in some of the outstanding detail and illustrate, with comparative figures, the extent and nature of the growth. But one point must be emphasized here and now: the upheaval, as was to be expected, created artificial and unstable conditions. Hence it was fully admitted and widely recognized that the industry would have to be

safeguarded during the difficult period of adjustment and reconstruction after the War.

III. PAST AND PRESENT.

Unfortunately no detailed figures are available to cover horticultural production during the early part of this century, but there was steady growth, and it is interesting to recall that Belgian refugees in the 1914-18 War did much to popularize among us the cultivation of salad crops. The Ministry of Agriculture published annually "Agricultural Statistics" purporting to give the acreage and estimated production of fruit and certain vegetable crops, but previous to 1935 glass-house crops, flowers, nursery stock, and many of the intensively produced vegetables were not included. Moreover, the figures relate only to crops growing on the 4th June of each year, and therefore exclude many horticultural crops which occupy the land for only a short period, and are sown after, or harvested before, that date. The information obtained annually was, however, supplemented by a special census of production, taken every five years, and this makes it possible to obtain a broad history of the industry in the years prior to 1939. During the War of 1939-45, annual returns were supplemented by quarterly and special returns, and thus a more accurate knowledge is obtained.

This information, in regard to acreage and production of horticultural crops, is epitomized in the subjoined statistics and is also displayed in the graphs which accompany them.

ACREAGE: CERTAIN CROPS

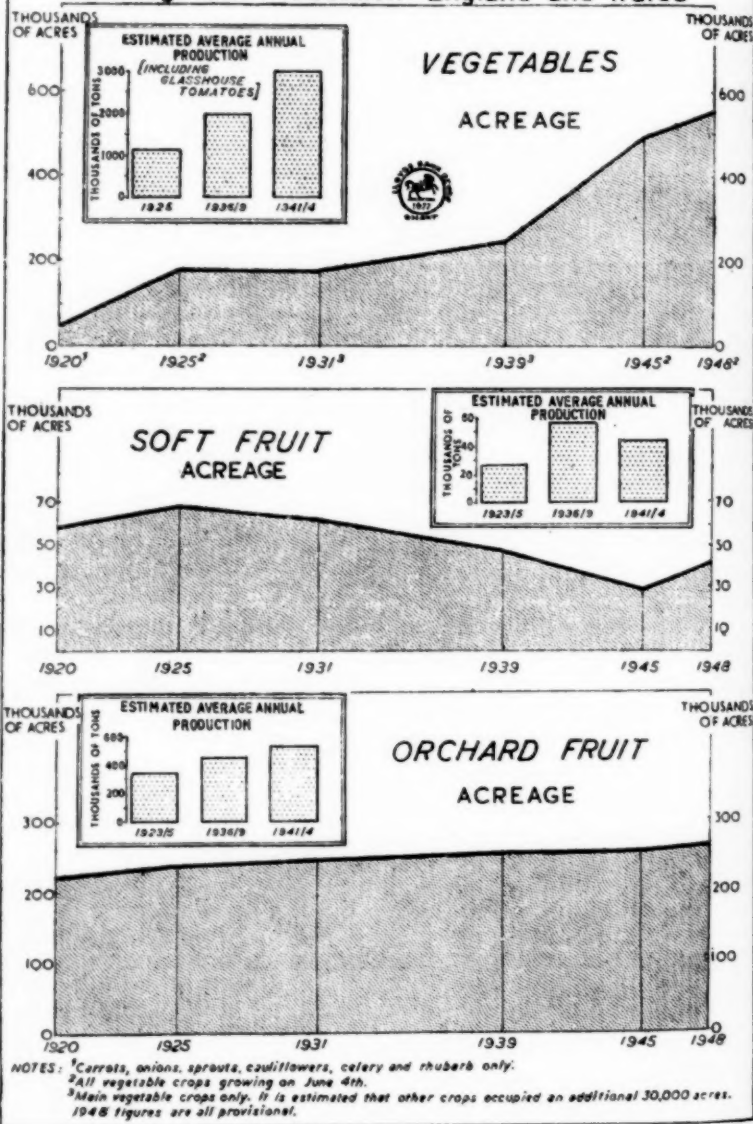
	1925	1931	1939	1945	1948*
GLASSHOUSES	2,725	n.a.	2,996	3,863	4,142
FRAMES		n.a.	273	344	471
FLOWERS (OUTDOOR) ..	3,550	n.a.	5,815	2,800	5,700
BULBS	1,700	n.a.	7,657	2,100	4,000
NURSERY STOCK ..	10,000	n.a.	10,532	5,600	8,200
		n.a. Not available			* Provisional

VALUE OF ESTIMATED AVERAGE ANNUAL PRODUCTION (ALL FRUIT AND VEGETABLES)

	1924-6	1936-9	1941-4
	£'000	£'000	£'000
FRUIT	7,630	7,073	120,000
VEGETABLES	9,126	17,260	
GLASSHOUSE CROPS ..	4,616	8,773	
FLOWERS, ETC. ..	1,500		
TOTAL	22,872	33,105	120,000

HORTICULTURAL CROPS

Acreage and Production: England and Wales



Before the 1939-45 War horticultural crops covered approximately 600,000 acres, or one-fortieth of the total area used for all agricultural purposes, and their average annual value (£32 millions) was 15 per cent. of the gross total, or slightly more than the value of the main arable crops (corn, roots, potatoes, etc.) which occupied 6,000,000 acres. Today, as we have seen, horticultural crops occupy one-thirtieth of the total agricultural area, and their value in 1944 at £120 millions may be put at approximately 23 per cent. of the gross output.

There are probably now some 50,000 holdings which are wholly or mainly devoted to horticulture, and the total number of persons who are permanently engaged in the industry is over 150,000. In addition to these workers considerable temporary or seasonal labour is employed, chiefly for harvesting the produce. Moreover, many farmers have always grown the commoner types of vegetables and some fruit as part of their farming crops, and during the war years they were encouraged to increase their acreage of root and brassica crops.

Other aspects of the horticultural industry must also be taken into consideration, and one very important point is that many other industries are ancillary and benefit indirectly from its activities. A large labour force is employed by the suppliers of seed, general equipment, machinery, implements, tools, packages, fertilizers, insecticides, and sundries.

In common with other sections of industry horticulture suffered during the GREAT DEPRESSION of 1929-32, but in the early 'thirties a measure of protection was given against the indiscriminate dumping of foreign produce, and horticulture was the first industry to secure assistance from tariffs while retail prices, as I shall show, remained steady. The new policy restored some measure of confidence and had a psychological effect upon growers with the result that, at the outbreak of the 1939-45 War, a certain measure of health and stability had been restored, and the industry was ready to play its part in feeding the nation.

During the War fresh vegetables were included in the daily rations of the Forces, and N.A.A.F.I. became the largest single buyer of our produce, but as the troops were demobilized their requirements dwindled accordingly. The result is that markets which are already over-supplied from pre-war growers and farmers are satiated by additional quantities of produce. Second quality produce sold readily during the War when there was no competition from imports and N.A.A.F.I. was

a large buyer. Today, quality is of first importance. The Ministries of Food and Agriculture recognize this, and a more discriminating public demand it. What is the remedy? It is that more husbandmen today, before venturing on a policy of vegetable production, should make sure by mutual consent that their County Targets for wheat, linseed, etc., have been attained, and, where vegetables are grown, that far stricter attention be given to grading.

Let us not forget that some production and marketing costs for high-class vegetables and fruit are over 250 per cent. above pre-war figures, and the honest grower has accumulated very little reserve cash, inasmuch as the relationship between his profits and the amount he has to pay to the State in taxation is very close. If there is a break in markets owing to unnecessary gluts the trouble will be widespread and prolonged. It must be borne in mind, as I have stated already, that at least 60 per cent. of British growers have holdings, expensively equipped, of ten acres or less, and if they were forced out of business we should be largely dependent in certain important categories upon foreign supplies of horticultural produce grown by small men in continental countries. Recruits in the industry are largely drawn from our smallholdings and many large growers in Britain today were but smallholders in the early years of their careers. And here it is pertinent to recall that the expert grower can have no guaranteed price for any of his produce as he is dealing in a highly perishable commodity with widely varying tonnages from acre to acre and from farm to farm. The grower neither receives nor seeks subsidies. Indeed, under recent agricultural legislation, horticulturists are subject to all the penalties imposed upon, but enjoy few of the special privileges granted to, farmers.

I yield to nobody in profound admiration for the British farmer. I go further. The farmer has become an essential factor in the provision of fresh vegetables, providing during the last four decades such crops as brussels sprouts, savoys, and roots which have been an insurance, and an indispensable insurance, against seasonal shortage caused by climatic conditions. It would, indeed, be catastrophic if the farmer abandoned entirely the cultivation of vegetables. But it is a question of balance and degree. In prevailing conditions the total vegetable acreage in this country ought to be reduced to peace-time needs, if possible striking by mutual agreement a balance between a variety of competing uses of the land, some vitally necessary, while others are wasteful, causing unnecessary gluts.

A moment's reflection is sufficient to show that the statesmanlike course would now be for the Minister of Agriculture to convoke a conference of representatives of *all* the interests concerned so as to examine the grievances and, if it be possible, resolve the domestic difficulties in the light of every relevant factor. On the outbreak of War in 1939 a Horticultural Advisory Council was set up by the Minister of Agriculture to advise him during the War. Dr. H. V. Taylor, a Civil Servant, was Chairman. That Committee was composed of scientists, nurserymen, and members of the Horticultural Commodity Committees of the National Farmers' Union and others to give advice on matters of national importance, and, before it was dissolved by the present Minister, prepared the outlines of a transitional policy to be pursued on the cessation of hostilities. If that policy had been implemented there would, in my opinion, have been no need for this article to be written. It is a disaster that there is not some comparable body to advise the Minister at the present critical juncture.

IV. FOREIGN PRODUCE.

Turning now to the problem of foreign produce, this obviously abounds in delicate issues and nothing is to be gained by over-simplifying them. But the only object of facing a difficulty is to see how to solve it.

1948 was a record year for the import of fruit and vegetables. The Dutch imports rose from two million cwt. to four and a half, and in 1948 overleapt the 1938 level by a million cwt. Italian produce rose from just over one million cwt. in 1938 to over four in 1948. The Canary Islands sent us a bumper crop of tomatoes, exporting twice their 1938 total and a good 25 per cent. more than they did in 1947. Under quota arrangements following the recently concluded Anglo-Polish trade agreement a large variety and vast quantity of fruits and vegetables are shortly to be imported from Poland. And it is understood that fresh negotiations are in progress with Italy for increased quantities and that economic discussions with France are centering round the French claim to export more vegetables and fruit to Britain.¹

We may pause for a few moments to consider what the argument which underlies these concessions by the British Government appears to assume.

First, let me touch on the balance-of-payments issue.

¹ The figures in this paragraph are summarized from *Fruit Trades Journal* of January 29, 1949, p. 17.

Balance-of-payments problems are admittedly of crucial importance, but they must be seen in proper perspective. If the reader will cast his eye on page 29 of this number of *Lloyds Bank Review* he will recall that Professor W. A. Mackintosh, in a somewhat different connotation, uses these words :—

For obvious reasons we are all engrossed in balance-of-payments problems. Now, and in the immediate future, they will be very pressing but we tend to become so over-sophisticated that we forget that they are not the ultimate long-run problems. If a country can earn its living it can, in the long run, adjust its balance of payments, as indeed it must.

How one rejoices to see theories confronted with facts, and solemn conventions turned inside out by the touch of a vigorous originality.

Let it be conceded that the Parties to the Charter drawn up at Havana in March, 1948, pledged themselves to this compelling stipulation :—

To promote on a *reciprocal and mutually advantageous* basis the reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment to international commerce.¹ (The italics are mine.)

Let it be argued that the whole conception of Western Union postulates an increasing flow of international trade and a large and mutually advantageous interchange of goods and services, and that vital political, social, and even strategic interests are involved. On these assumptions the British Government is prepared to admit foreign fruit and vegetables partly because this is to be regarded as a valuable prophylactic against the spread of Communism on the Continent and a preventive of cynicism, inertia, and despair. There is the further contention that if we do not admit fruit and vegetables from the countries concerned they cannot pay for our manufactures or raw materials.

These considerations, however, should be accompanied by certain qualifications and must not be pushed too far, though it will be seen that the question is not devoid of difficulty. But one observation may be confidently made : the touchstone of statesmanship is ability to see the whole and not merely the half of a problem, and only then, when we are inspired by equitable consideration of balanced interests, will this movement for cosmopolitan cohesion be carried to a successful conclusion. If such cohesion is only to be founded on the ruin

¹ Cmd. 7375, page 9.

of a once prosperous and a very progressive British industry then it will indeed prove a sorry and ramshackle affair. "Reciprocal and mutually advantageous" negotiations presuppose and require a good deal of moderation and adjustment before their true social value can be realized. Foreign affairs so engross some contemporary minds that what Disraeli termed "the condition of England question" is almost forgotten. Several obvious safeguards might have been introduced into our recent commercial conventions which would at one and the same time have served the long-term interests of the British consumer, given security and peace of mind to the honest grower and his expert craftsmen at home, and yet have dovetailed foreign deliveries into the structure of our domestic produce in such a manner as to avoid unnecessary gluts and shortages and benefit all concerned.

By means of a two-decker or sliding scale the foreign grower was encouraged by our tariff of 1932 to send us his supplies during our periods of shortage and to plan his cultivations and production accordingly. The grower does not ask now for more protection than he actually enjoyed under the 1932 tariff; all he pleads for is the same relative degree of protection having regard to today's costs and price levels. It is preposterous to suggest that the grower can equitably be singled out as the *sole* uncompensated victim of a rise in the price levels. If he is, that is equivalent to sentence of death. The British horticulturist claims that foreign imports should be regulated, and surely to seek measure, equity, and balance is not necessarily the sign of un wisdom.

During the period when we are not producing ourselves there is no justification whatever even for the imposition of a 10 per cent. *ad valorem* duty. I gave this advice to the competent authorities before I went to Geneva to represent the Ministry of Agriculture in 1947. I have never urged, nor do I now suggest, that the foreigner should cease to send us his produce.

The general level of consumer prices here did not seem to be affected by the introduction of tariffs in 1932. Prices continued, indeed, to vary as they always had done in the past according to the seasonal yield and demand, but no significant change took place. On the other hand gluts were avoided, and it should be underlined in red that gluts are in the interest of nobody. The official index number for prices of fruit, vegetables, and glasshouse produce was, for example, the same in 1936 as it was in 1930, and over the whole period 1925 to

1939 never varied by more than nine points from the average for the fifteen years.

The detailed accounts (analyzed by the Ministry) of a large grower who produced the same crops over the period under review and attained a very consistent quality in his production give further support to this conclusion. The following table shows ranges for certain products during the main marketing seasons :

		1931	1935
BROCCOLI :	Jan.—March ..	5/3 — 7/7	4/8 — 7/6
(Crates of 12 to 18)			
CAULIFLOWER :	July—Aug. . .	2/8 — 5/4	2/- — 4/8
(Crates of 12 to 18)	Sept.—Oct. . .	1/- — 2/10	3/5 — 5/8
LETTUCE :	May . . .	1/4 — 5/-	3/- — 4/8
(Crates of 2 dozen)	June . . .	1/1 — 2/8	1/5 — 3/3
	July . . .	1/1 — 2/-	1/- — 3/-

There is no doubt that the incidence of tariffs had a levelling effect on supplies of imported produce, and the British grower enjoyed a steadier and more consistent market from day to day. He knew, for example, that if the price of lettuce were to drop from 2/6 to 2/- per crate of two dozen then foreign supplies would cease. This gave greater confidence and had a good effect on the whole industry. It is unfortunate that at the present time the 1932 duties have no restricting influence on imports, simply because, at today's production costs and price levels, the incidence of the 1932 tariff duties is negligible.

Today continental supplies are controlled by the cumbrous and haphazard method of quotas agreed by H.M. Government with foreign countries before British crops are even sown. If it were possible to foretell the exact week when home-grown supplies would be sufficient to fill the nation's total demand this quota system might be efficient ; but as climatic conditions entirely control the date at which British produce would be sufficient to meet all requirements this system is far too speculative. Moreover, the quota system is subject to perpetual pressure from foreign countries. If a given quota of cauliflowers be permitted up to say June 15th in any one year, and English supplies became abundant at the beginning of June, the breaking of the market is a certainty, and when once a market has been broken it takes weeks to recover.

Let me elaborate this point. So far as vegetables are concerned, home produce today is in excess of requirements, while in continental countries large surpluses exist. Under such conditions there is always the danger of a break in market

prices being brought about by supply being greater than demand. A break of this character will often end in disaster, for the foreigner is content to continue sending his consignments so long as he can see that his bare costs of sale and transport will be returned. Many instances of this could be given: for example, in May 1946 large quantities of English lettuce were left unsold, and in the autumn of 1947-48 cauliflowers suffered the same fate. In both cases the position of the home-grower of vegetables was aggravated by unnecessary imports, and the position deteriorated in 1949, when foreign imports broke the British market for onions and leeks. The hazard is further increased by the fact that British growers are short of packages and packing materials and buyers find it easier to handle well packed imported produce although its quality may be no better than the home-grown product.

I am apprehensive that the small grower in this country will collapse if present tendencies are allowed to gather momentum. He is hit, at one and the same time, by the break in his market and the retrospective incidence of taxation, and the cumulative effect will be shattering. The foreigner can beat the British grower largely because the chances are heavily weighted against the latter owing to higher labour costs, far heavier taxation and acute shortage of such facilities as white wood non-returnable containers and packing materials. We shall not be self-supporting in cauliflowers, salads, and tomatoes in the event of another war if we allow our market-gardening to go under during the present truce. All I plead for is adjustment so that, *ceteris paribus*, we may have the same relative security as we enjoyed between 1932 and 1939. On the other hand I am, in the light of experience and expert knowledge, sceptical of foreign imports markedly affecting the prices payable by consumers in this country.

V. CONSUMER PRICES.

I have touched on the very important question of prices paid by the consumer, and I want to add this. War-time prices may have been too high but it was extremely difficult to fix maximum prices for crops whose tonnage per acre could vary from 4 to 40, according to the climatic and other conditions prevailing throughout the growing period, and in the case of *perishable* horticultural crops the grower had to carry all the risk. First and secondary wholesalers' maximum prices and maximum retailers' prices were also calculated and applied. Now, however, most vegetables are freed from maximum

price orders and increased supplies are available, with a consequent falling in wholesale price.

VI. SHORTAGE OF CAPITAL.

The dangers inherent in a market break are accentuated by the shortage of capital in the industry. Many growers are small men, and most of the horticultural concerns are private businesses, and with income tax and surtax and death duties at their present levels most of the profit is absorbed and little balance is left for expansion and development.

It is seldom that capital is available for a man to start in a large way of business, and it is practically impossible to say what is the total capital invested in horticulture. Some idea of the figure may be obtained if it is realized that at today's prices the glasshouse section represents not less than £50 millions, or again that it costs £50 to purchase sufficient fruit trees to plant one acre of land. No return can be expected for at least five to six years, although costs of cultivation must be borne over the whole period. It is doubtful if top fruit (apples, pears, and plums) can be established at a cost of less than £300 per acre. Some £150/£200 per acre would be necessary to establish an intensive vegetable holding, and this would not include the purchase of the freehold nor the cost of overhead irrigation. The cost of seed shows at least 300 per cent. increase over the pre-war level, crates and containers and packing materials are 300 per cent. higher, and labour costs have risen by nearly 125 per cent. Organic fertilizers have risen from £10/£15 per ton to £25/£45 per ton, according to the quality of the product. The upshot is that the industry, starved of capital, is now confronted with very high production costs and a dwindling market for its products.

VII. GRADING AND MARKETING.

It would be foolish to suppose that no improvement could be made in distribution but it is not as chaotic as it is represented to be by some of our would-be planners. Behind the system that has been gradually evolved through the years lies the all important fact of the *perishable* nature of our produce, and there is little doubt that any dynamic upheaval in method would create chaos at least for a time. If changes are necessary they will have to be slow and gradual processes, but there must always be markets which serve the industry as general marshalling yards for the whole range of horticultural produce. Growers selling their own produce were responsible for the

birth and growth of Covent Garden Market. Foreign trade developed, and home growers turning to specialize in such crops as grapes, tomatoes and mushrooms brought the commission industry into prominence. Retailers attend the market daily to obtain perishable produce, and it is essential that they should be able to purchase all the seasonable flowers, fruit and vegetables in the same market. During the last three decades the processing of vegetables and fruits has expanded and many growers today grow under contract for processors. No doubt this industry will expand quickly now that "quick-freeze" is becoming a commercial proposition.

At the present time there are several methods of distribution in common use, the chief of which are briefly :

- (a) The grower who sells his own produce in London or provincial wholesale markets.
- (b) The grower who sends his produce to a commission salesman who usually supplies containers. His charges include market tolls, handling, commission, and the hire of containers.
- (c) The grower selling direct to retailers' shops from his own lorry.
- (d) The small grower who produces and sells direct to the consumer. He renders a very useful service in small provincial and country towns.

Large growers usually come under class (a), selling their own produce in market. This gives them the advantage of day to day market intelligence and often enables them to clear large quantities of produce at a cheap price which could not be disposed of by a commission salesman with his limited accommodation and heavy handling charges.

A scheme has been suggested for replacing the present method of distribution, but it is doubtful whether proper investigation and research have been made into this vast subject and one fears that it has not been fully appreciated how our present system of distribution has been built up by trial and error by private enterprise through the last 100 years. The present system is speedy and general distribution is efficient.

Despite the present severe shortages of materials much has been done to improve the standard of grading and packing. Before the War the Ministry's "National Mark Scheme" was of great educational value. Information contained in the Ministry's Bulletins has also assisted in the dissemination of knowledge, and films are now being made by the Ministry dealing with grading and packing.

We are liable to judge the foreigner's grading and packing by the produce we import, but I speak from personal observation when I affirm that in pre-war days only the very high-grade produce was purchased abroad by the importing agents for the British market while lower grades were sold in the home markets of the exporting countries. Now, however, Covent Garden is flooded with foreign lettuces of incredibly poor quality. There is no excuse for this.

The importance of high-grade produce, whether foreign or home-grown, cannot be exaggerated. But sometimes climatic conditions eliminate the top grade. Low prices are often realized when quality is at its highest, for plentiful supplies and high-grade produce are closely allied, while high prices rule when supplies are short. Some 30 varieties may be grown on a holding and the majority be sold at the cost of production or less, but every year there are a few crops in short supply which make higher prices and enable the industry to survive. For this reason high prices on some produce are essential and practical growers will readily agree that it would be impossible to sweep away our present system of production and distribution of vegetables to replace it with schemes that appear correct on paper but have never been tried in actual practice.

As against this there is room for continual improvement. Much could be done by the revival of the system of voluntary grading by National Mark which was in operation before the War. It is very important to maintain and to develop a high standard of cleanliness. The best growers already aim at this. Some northerly housewives do not like their leeks to be washed overmuch and defoliated, as it curtails the potential amount of cock-a-leekie, but our American cousins admittedly have standards of cleanliness in their retail fruit and vegetable shops which are very deserving of British emulation.

VIII. RECOMMENDATIONS.

I advocate the following solutions.

1. The same relative measure of protection to the industry as before the War, but the encouragement of world trade by placing no tax on commodities that do not compete with our home produce.
2. Some relief from the present paralysing burden of taxation.

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3. A reduction in the present gross vegetable acreage to peace-time requirements. Horticultural land so freed should be diverted to the production of dessert fruit.
4. Development of co-ordinated collective organizations in all districts where there are many small growers in fairly close proximity so that facilities often only available to large producers may be made available to small growers on co-operative lines. This would provide greater uniformity in grading and better marketing.
5. Establishment of a Development Commission, composed of producers, processors, distributors, and consumers, to encourage the processing of home-grown fruits and vegetables. Such a body should be empowered to make mass contracts between small growers and factories.
6. Much increased education, research, and advisory work to improve the growing, grading, and packing of all produce. In particular the development of research into horticultural machinery, tools, and appliances is stressed. Sufficient attention is not given by the National Institute of Agricultural Engineering to horticultural problems.
7. That white wood non-returnable containers and packing materials of the type used by continental growers be made available to British growers so that we may at least compete on an equal footing in this respect.

In a remarkably penetrating article which appeared in *Lloyds Bank Review* in January 1949, Mr. S. P. Chambers brings out with cogency of argument how the excessive taxation of industry is eating away at the sources of capital and how, as a consequence, there is a serious and ever increasing threat to the nation's industrial production. He tells us that the purpose of his article is to demonstrate that "the main, but not the only, cause of our troubles is the heavy weight of taxation."

This conclusion is 100 per cent. valid in regard to agriculture. High prices were realized during the War, but they have in the case of the larger growers melted into income tax, surtax, E.P.T., and death duties, while the smallholder has been deprived of any prospect of healthy business development despite all the roseate promises of the politicians. The market grower has to face continual outlay on replacements and the need for capital expenditure which he often cannot meet.

IX. CONCLUSION.

I realize that there is unavoidably much in this article of a controversial nature. I have written as a man of the soil and for that reason I desire to end on a more personal note.

I have been in business producing horticultural crops for the last 41 years. During the last few months I have destroyed more vegetable crops than were destroyed on my farms during the last two decades and this at a time when the Ministry of Agriculture is having difficulty in obtaining the target acreages for crops such as wheat. This has a psychological effect upon our workers for they see first-class crops destroyed, crops upon which vast sums of money have been expended together with their own personal toil and thought.

Is there any wonder that a spirit of frustration exists among them, men to whom pride of production means so much? This state of affairs must not continue. The atmosphere of frustration exists from the youngest worker on the farm to the Managing Director.

Some years ago in an address delivered at Reading University I said :

How much there is in the word contentment and what a vision it spreads before the mind of the true agriculturalist who, turning his back on the trials of business and its attendant financial cares, can view the whole as he would a beautiful landscape, where harmony exists and no one element predominates over another.

That sentence could not be applied to horticulture today. The industry faces nothing but chaos and perplexity. Frustration is a bleak and distressing theme.

F. A. SECRETT.

February, 1949.

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Statistics: Explanatory Notes

EXPORT TARGETS.—The charts on page 55 compare, in value terms, the trend during 1948 of some important categories of exports with the targets set for the end of 1949. The prices assumed for these targets, and also for the thin dotted lines indicating the value of the 1938 volume of exports, are based on those ruling from October to December, 1948. On this basis coal exports, which in the last quarter of 1948 averaged £4 millions a month, are set at £6 millions for the end of 1949, although this will still be equivalent to only 57 per cent. of the volume for 1938. In contrast, the volume of exports of all the other categories given, with the exception of cotton yarns and manufactures, was above the pre-war level throughout 1948. In January, exports showed a further increase, reaching the record figure of £159 millions—in fact just below the target rate of £160 millions set for the end of this year.

VITAL STATISTICS.—By the middle of 1948 the population of the United Kingdom for the first time exceeded 50 millions, that for England and Wales having more than quadrupled since the beginning of the last century.

The fall in the birth rate has meant that, in spite of the decline in infant mortality and of an increase in population of nearly 20 millions, there were in 1948 fewer children fourteen years of age and under than in 1871. This shift towards an older population is brought out by the chart on page 57 comparing the distribution of the population by age-groups in the two years. Those over 35 years of age represented 49 per cent. of the population in 1948 as against 31 per cent. in 1871.

BANK ADVANCES AND NATIONAL INCOME.—In an appendix to the Chairman's statement this year charts were given comparing movements in bank advances and national income during the periods 1877-1913 and 1921-1947. The charts on page 58 now show, over the same years, advances as a percentage of national income, (including discounts with advances in the earlier period, since in those days discounts consisted almost entirely of commercial bills and were usually lumped together with advances in the balance sheets). It will be seen that from 1882 to 1913 the percentage never fluctuated by more than 2.1 points about a middle figure of 27.7 per cent. During the inter-war years, on the other hand, there were widespread changes, the percentage reaching a peak of 29 per cent. in 1931, followed by a subsequent fall to 22 per cent. in 1939. The steep rise in national income in money terms during the War, together with an actual decline in advances, resulted in a fall in the percentage to little more than 10 per cent. in 1943. Although the expansion in advances since the end of the War has led to a rise in the percentage to 15½ in 1947, this is still considerably below the levels common in the past.

SOCIAL SERVICES.—The table on page 59 shows the phenomenal growth in expenditure on social services since the beginning of the century. Expressed as a percentage of national income, and excluding the cost of unemployment, present expenditure is at an all-time high. If unemployment is included, however, the peak was reached in the depression years of the early 'thirties.

STOCK EXCHANGE TRENDS.—Bargains on the Stock Exchange, by the end of last year, had declined almost to war-time levels. The daily average number of bargains fell from a peak of nearly 14,000 in May, 1946, to no more than 6,550 in the last quarter of 1948. The increased stamp duty in last year's budget probably accounts for part of the decline experienced since April, 1948. This trend in the number of bargains is paralleled fairly closely, over the period covered, by the index of the price of industrial securities (second chart page 60). The post-war peak for this index, however, was reached a year later, in May, 1947. In February this year there was a slight drop from the figure recorded in January.

The charts on page 61 depict the changes between 1939 and 1948 in the market and nominal values of some important categories of securities, the values shown being those for one particular day each year. The rise in nominal value since 1939 is more than accounted for by the war-time expansion in the national debt. The volume of other marketable securities was sharply reduced at the beginning of 1948

by the nationalization of the railways. It will be seen that commercial and industrial securities, taken in the aggregate, stand at a substantial premium over nominal value, and foreign stocks and bonds at a heavy discount.

WESTERN GERMANY.—The marked change in the economy of Western Germany (U.K.-U.S.A. zones) following the currency reform of June last is evident from the charts on pages 62 and 63. In six months industrial production increased by nearly 55 per cent., from 51 per cent. of the 1936 level in June to 78 per cent. in December. Paradoxically, there has been an increase in unemployment at the same time, due in part to the disappearance of the black market. Coal output in the last quarter of the year was running at 7.8 million tons a month, compared with an average of 5.8 million tons in 1947, whilst production of lignite was well above the pre-war level. Exports have continued to rise and by the autumn were, in value, slightly exceeding imports of food, seeds, fertilizer and petrol, known as category A imports.

THE FOUR-YEAR PLAN.—The charts on page 64 depict some of the more important estimates for production for 1952-53, the year following the end of Marshall Aid, which were contained in the programme submitted to O. E. E. C. last December. It should be remembered, as is pointed out in the memorandum (Cmd. 7572), first, that modifications in the U.K. programme may be necessary in the light of the programmes prepared by the other participating countries, and, secondly, that the various estimates should be regarded as "illustrative of the nature and relative scale of the problems that . . . seem likely to arise" rather than as definite forecasts: "a long-term plan can be no more and no less than a statement of economic strategy."

For coal, total production in 1952-53 is placed at 8-13 per cent. above the pre-war level. This requires an increase of some 39 million tons in annual output of deep-mined coal by the end of the period, implying an annual increase of about 5 per cent. in output per man-year:—"to achieve such an advance will involve a tremendous effort." Under the plan upon which the steel industry embarked at the end of the War production of crude steel will rise to 17 million tons by 1952-53. As regards agriculture, all the forecasts, except that for meat and bacon, envisage an increase in output over the pre-war level. To achieve these objectives it is estimated that farms will require replacements and new machinery at the rate of £50 millions a year.

GLOSSARY OF ABBREVIATIONS.—An inevitable consequence of the proliferation of new organizations that has occurred since the end of the War has been the widespread habit of referring to them by their initial letters. Although this may be necessary for the sake of brevity it is often confusing to the layman. We give, therefore, on pages 65 and 66 a selected glossary of the more common abbreviations used today in the press and periodicals. This can be detached for ease of reference.

Books and Publications

CURRENT FINANCIAL PROBLEMS AND THE CITY OF LONDON

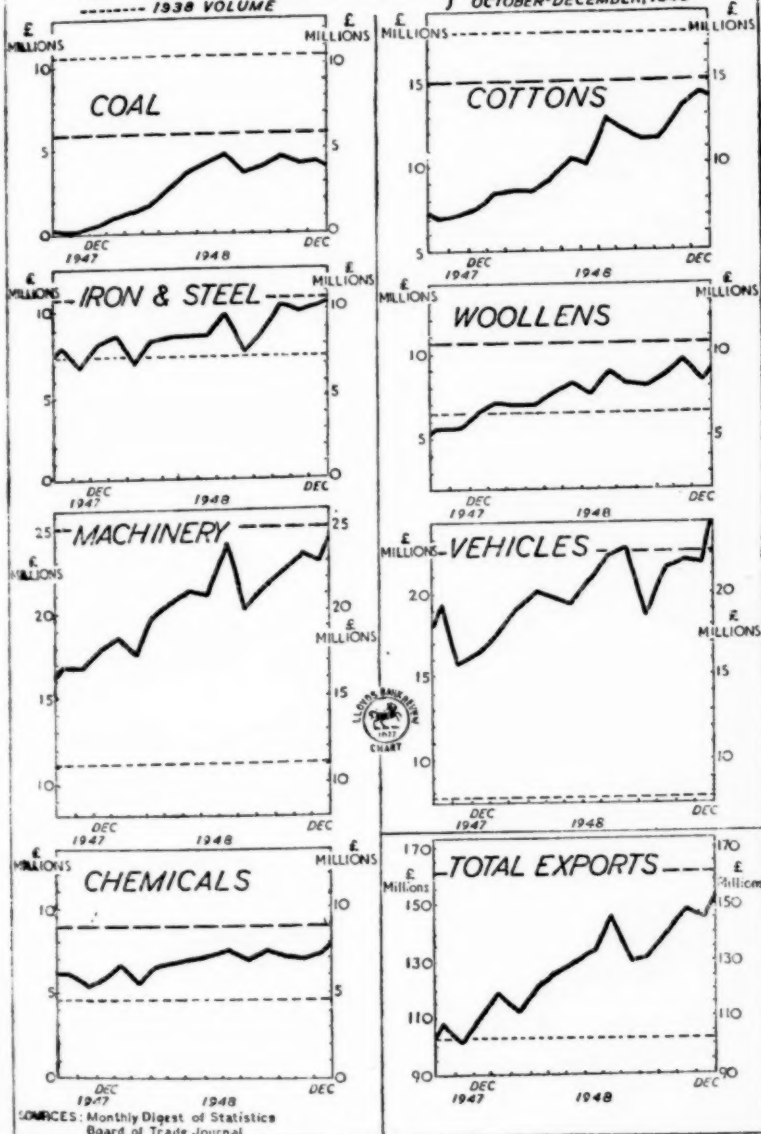
(Europa Publications Ltd. Price 15/-.)

In September last year the first International Summer School of the Institute of Bankers was held at Christ Church, Oxford. Those who were at Oxford will well remember the excellence and lucidity of the lectures delivered at the School and it is good to have this reprint of them, making available to a wider public the informed opinion and analysis of recognized experts. The lectures cover not only discussion of the more general economic problems confronting Great Britain but also descriptive and detailed accounts of the financial institutions of the City and of some of the specialized departments of the commercial banks.

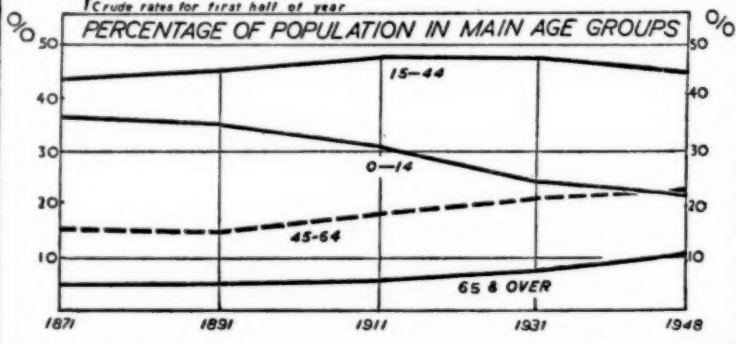
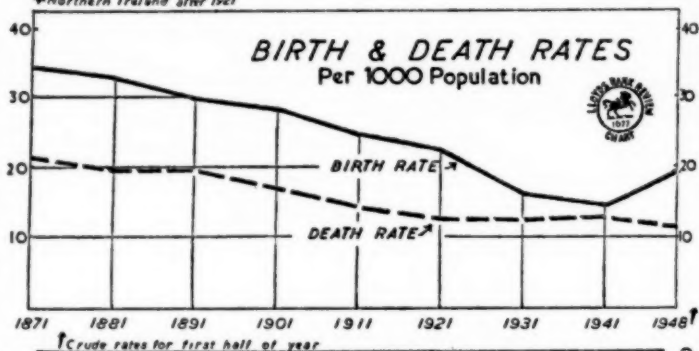
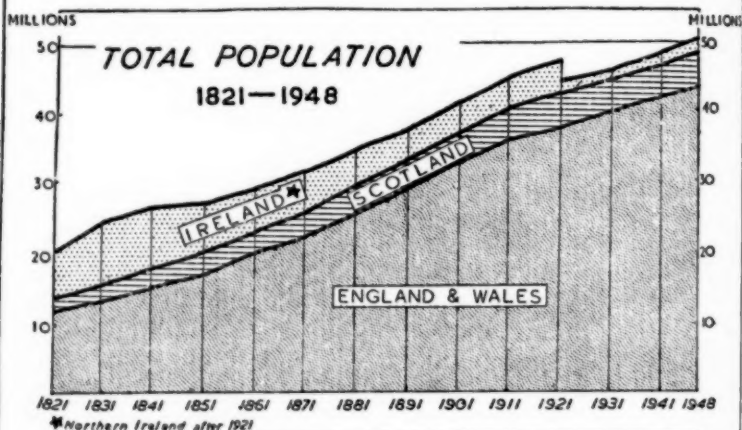
J.R.W.

EXPORTS AND EXPORT TARGETS

— END-1949 MONTHLY TARGET RATE } AT PRICES RULING
 --- 1938 VOLUME } OCTOBER-DECEMBER, 1948



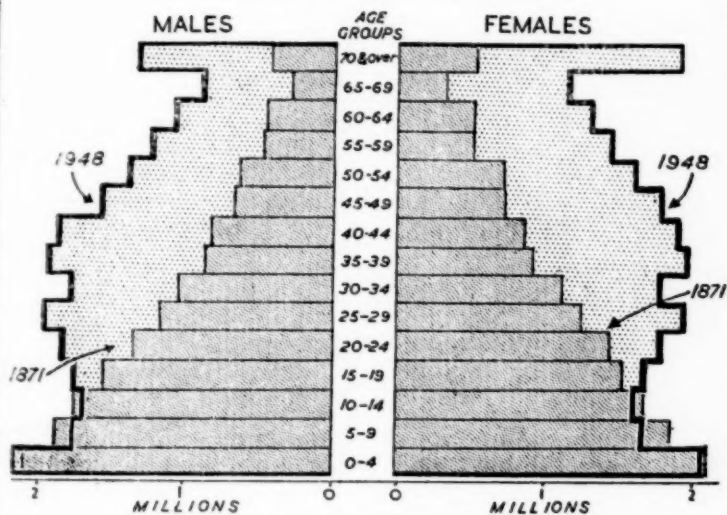
UNITED KINGDOM: VITAL STATISTICS



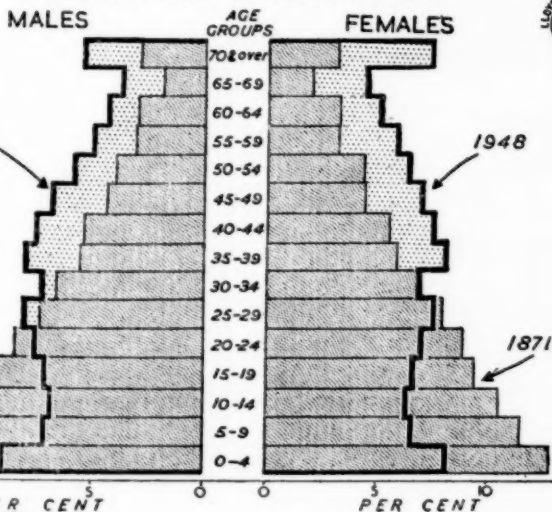
UNITED KINGDOM: VITAL STATISTICS

Age Distribution of the Population

1871 & 1948 COMPARED

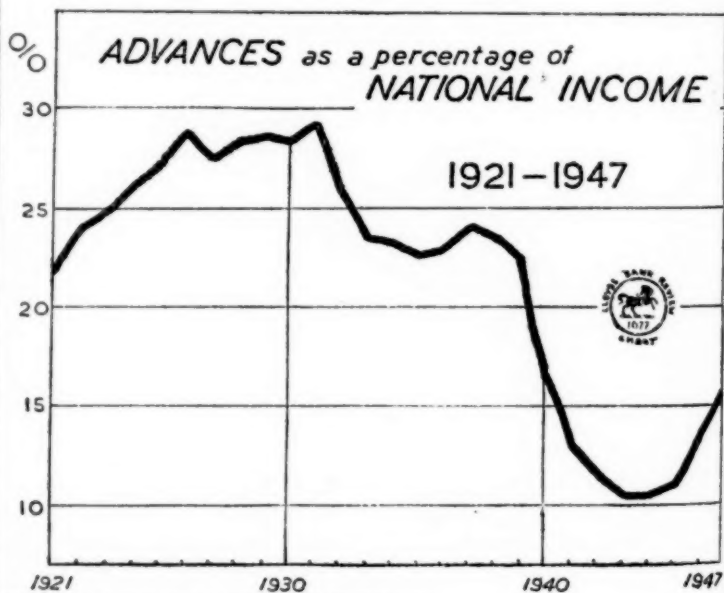
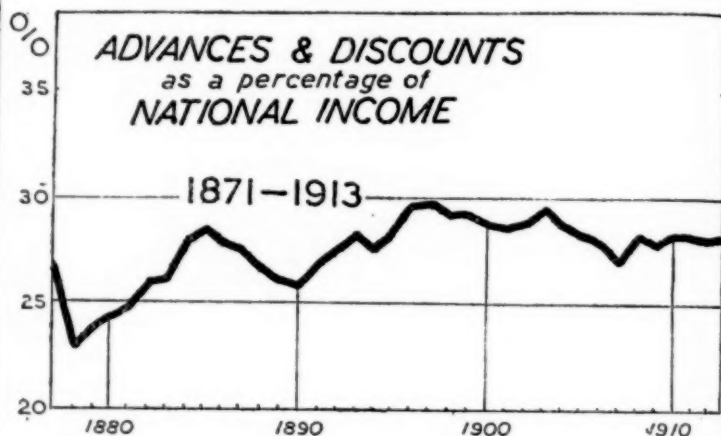


PERCENTAGE DISTRIBUTION



SOURCES: Statistical Abstracts
U.N. Bulletins of Statistics

BANK ADVANCES & NATIONAL INCOME



SOURCES: Economist Annual Banking Supplements
Economic Journal, March 1948.

EXPENDITURE ON SOCIAL SERVICES

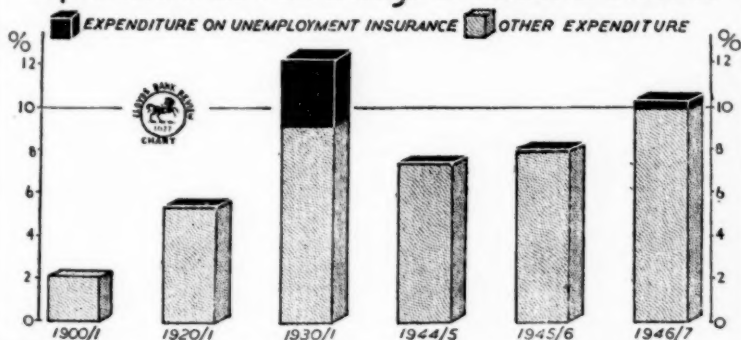
GREAT BRITAIN

£ millions

SERVICE	1900/1	1920/1	1930/1	1944/5	1945/6	1946/7	1947/8
Unemployment Insurance, etc.	—	10.8	101.6	9.0	20.2	39.4	<i>estimated</i> 29.3
National Health Insurance ..	—	29.9	38.6	53.0	57.1	59.0	30.2
Widows', Orphans and Old Age Contributory Pensions	—	—	34.6	62.8	64.0	88.7	246.6 ¹
Family Allowances	—	—	—	—	—	33.6	58.6
Old Age Pensions	—	20.8	37.5	114.3	120.7	142.7	40.3
War Pensions	—	100.9	49.2	76.8	82.7	86.8	87.1
Education	19.5	88.8	104.2	155.9	191.1	222.2	254.3
	19.5	251.2	365.7	471.8	535.8	672.4	746.4
Public Health	1.6	10.7	13.7	22.8	33.7	42.0	} not available
Housing5	4.7	40.0	55.2	55.2	57.6	
Poor Relief	12.4	34.3	42.5	40.5	41.7	46.8	
Other Services	2.0	5.9	6.4	19.4	13.4	14.8	
Total	36.0	306.8	468.3	609.7	679.8	833.6	

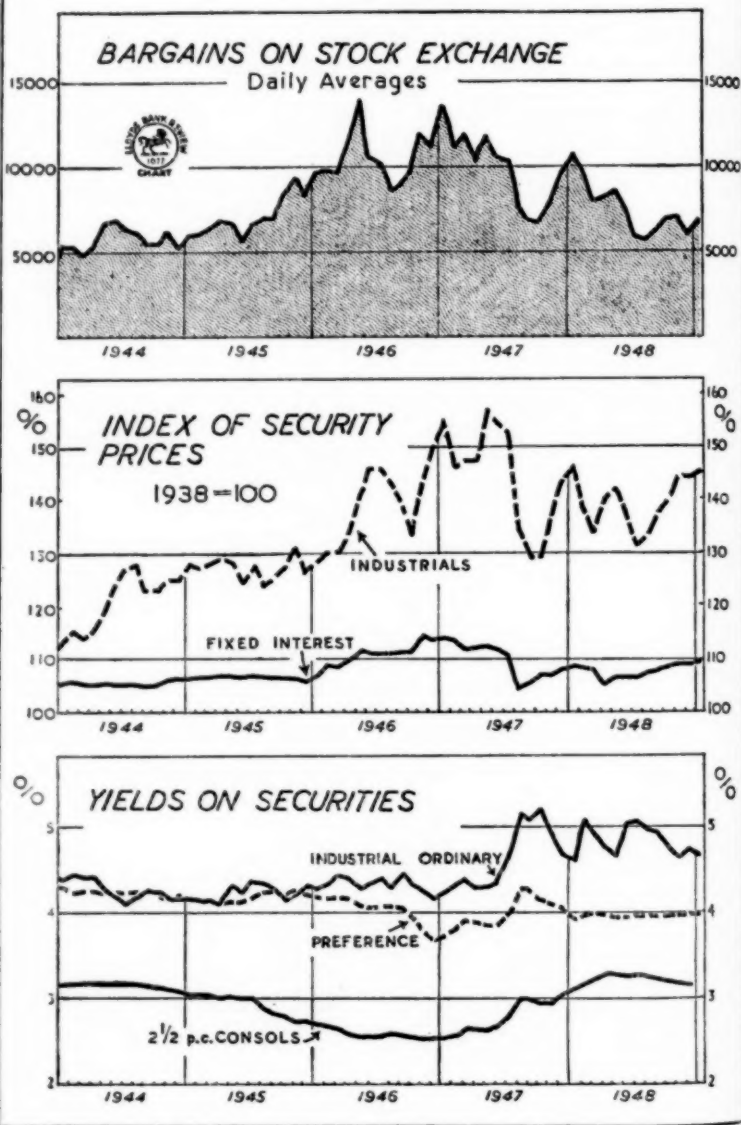
¹ From 1st April, 1947, includes expenditure on pensions payable to persons over 70 years of age; previously included under "Old Age Pensions."

Expenditure as Percentage of National Income

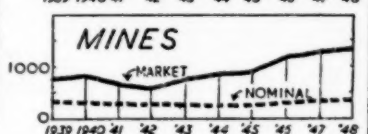
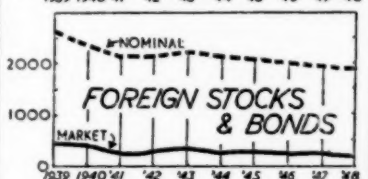
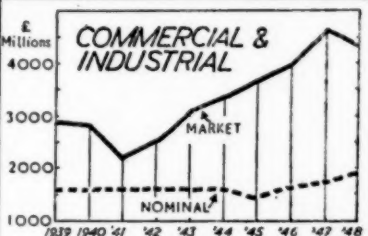
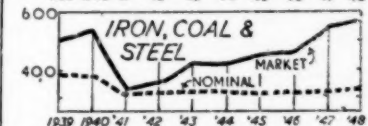
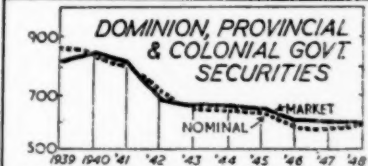
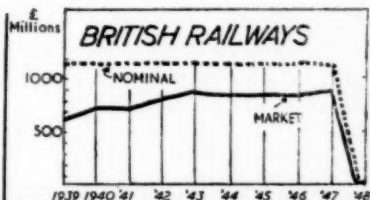
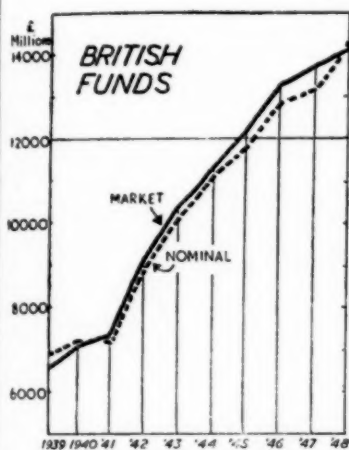


SOURCES: Command 5906 (1938); Cmd. 737 (1948); Hansard 20/12/45, 19/12/47, 17/12/48

STOCK EXCHANGE TRENDS



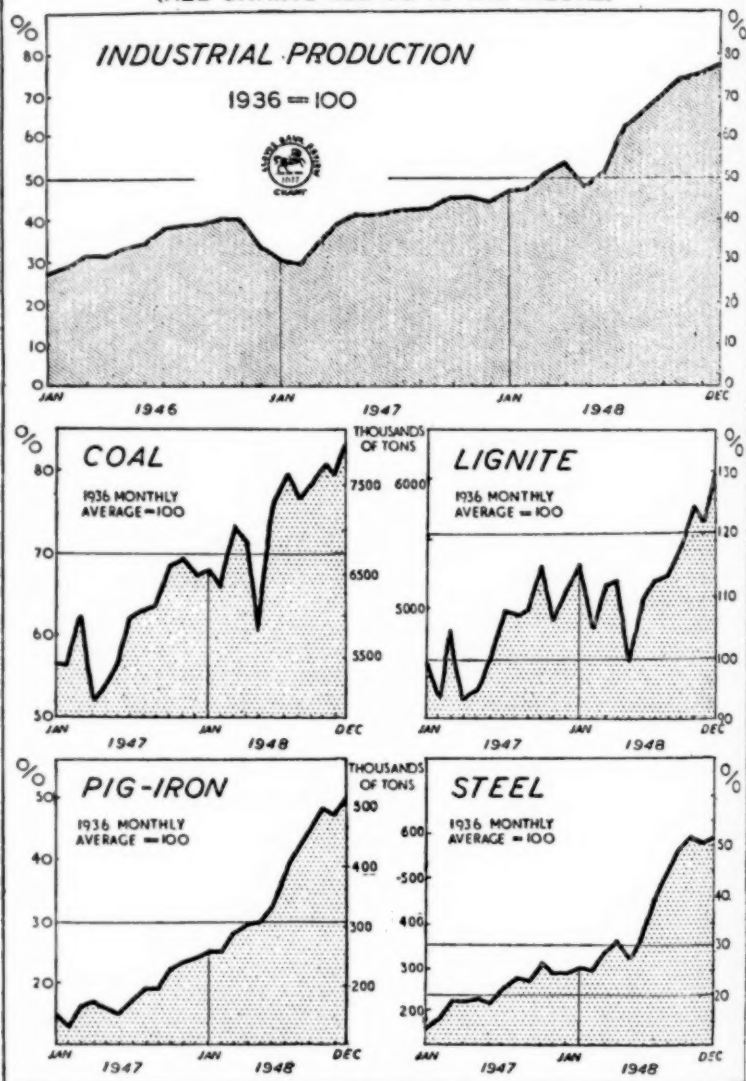
STOCK EXCHANGE TRENDS Value of Securities



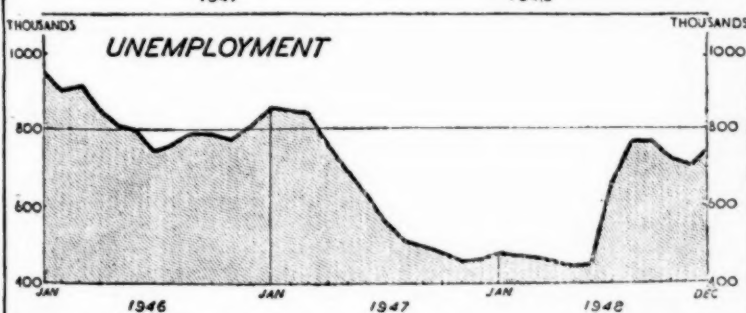
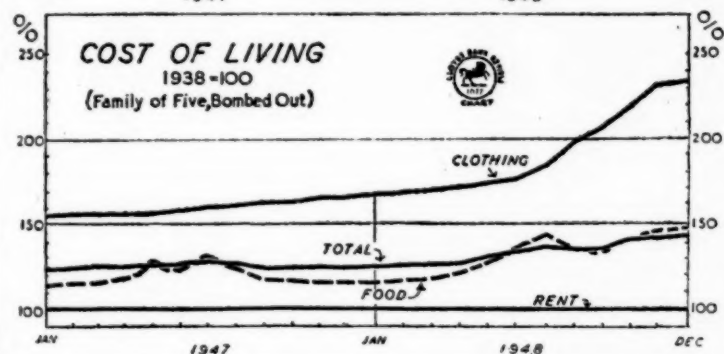
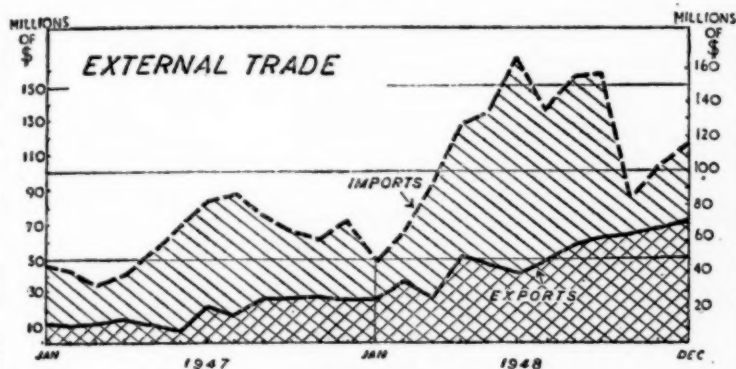
SOURCES: Stock Exchange Reports
London & Cambridge Economic Service Bulletins
Actuaries Investment Index
Monthly Digest of Statistics

WESTERN GERMANY: RECENT TRENDS

(ALL CHARTS RELATE TO THE BIZONE)



WESTERN GERMANY: RECENT TRENDS



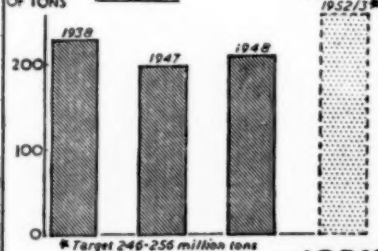
SOURCES: Control Commission for Germany Monthly Statistical Bulletin

"U. K. FOUR-YEAR PLAN"

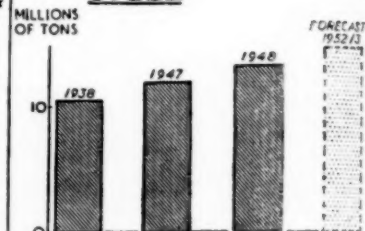
SOME PRODUCTION TARGETS



COAL



STEEL



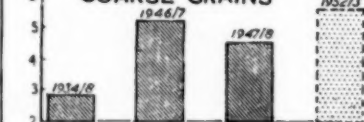
AGRICULTURE

MILLIONS OF TONS

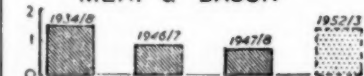
BREAD GRAINS



COARSE GRAINS



MEAT & BACON

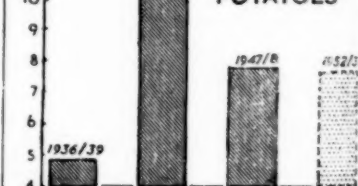


MILLIONS OF TONS

MILK & MILK PRODUCTS



POTATOES



COLONIAL TERRITORIES

THOUSANDS OF TONS

GROUNDNUTS (EXPORTS)



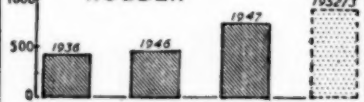
THOUSANDS OF TONS

SUGAR



THOUSANDS OF TONS

RUBBER



THOUSANDS OF TONS

TIN



Economic Organizations: Glossary of Abbreviations

MARSHALL AID ORGANIZATIONS

Set up.

E.R.P.		European Recovery Programme.
C.E.E.C.	July, 1947	Committee of European Economic Co-operation. Meeting of 16 nations to discuss European recovery in connection with offer of Marshall aid. Succeeded by O.E.E.C.
O.E.E.C.	April, 1948	Organization for European Economic Co-operation. Formed to allocate E.R.P. funds and co-ordinate national recovery plans, continuing work of C.E.E.C.
E.C.A.	April, 1948	Economic Co-operation Administration, (U.S.A.). To administer E.R.P. and review O.E.E.C. projects. In Europe the E.C.A. is represented by the U.S. Special Representative (Mr. Averell Harriman), also known as the Ambassador-at-Large for E.C.A. In each participating country U.S. Special Missions have been established to ensure the efficient operation of E.C.A.

UNITED NATIONS ORGANIZATIONS

Temporary

U.N.R.R.A.	November, 1943	United Nations Relief and Rehabilitation Administration. Terminated June, 1947.
E.C.O.	May, 1945	*European Coal Organization. Advisory and consultative body. Terminated January, 1948.
E.E.C.E.	May, 1945	*Emergency Economic Committee for Europe. Advisory body. Terminated August, 1947.
E.C.I.T.O.	September, 1945	*European Central Inland Transport Organization. Concerned with the co-ordination of the supply of equipment and traffic movement. Terminated September, 1947.

*Functions taken over by Economic Commission for Europe.

Permanent

F.A.O.	October, 1945	Food and Agriculture Organization, (Washington).
U.N.E.S.C.O.	November, 1945	United Nations Educational, Scientific and Cultural Organization.
I.L.O.	1919	International Labour Organization. Affiliated with the United Nations in May, 1946.

Economic Organizations: Glossary of Abbreviations

UNITED NATIONS ORGANIZATIONS (continued)

Organizations established by the Economic and Social Council of the United Nations

	<i>Set up.</i>	
W.H.O.	July, 1946	World Health Organization, (Geneva).
E.C.E.	March, 1947	Economic Commission for Europe. <i>Composed of European members of U.N.O. together with the U.S.A. Has taken over functions of E.C.O., E.E.C.E., and E.C.I.T.O. (see previous page).</i>
I.R.O.	July, 1947	International Refugee Organization.
I.T.O.	March, 1948	International Trade Organization. <i>Charter drawn up at Havana Conference (see below).</i>

OTHER ORGANIZATIONS

B.I.S.	1930	Bank for International Settlements, (Basle). <i>Manages Intra-European Payments Scheme.</i>
I.M.F.	March, 1946	International Monetary Fund, (Washington).
I.B.R.D.	March, 1946	International Bank for Reconstruction and Development, (Washington).
I.C.F.C.	July, 1945	Industrial and Commercial Finance Corporation, (London). <i>For small firm finance. Capital provided by banks.</i>
F.C.I.	May, 1945	Finance Corporation for Industry, (London). <i>For larger scale finance; owned by insurance companies, trust companies and Bank of England.</i>
A.F.L.	1881	American Federation of Labour. <i>Original U.S. Trade Union organization. Composed mainly of craft unions.</i>
C.I.O.	1935	Congress of Industrial Organizations (U.S.A.). <i>Composed mainly of industrial unions.</i>
C.G.T.	1895	Confédération Générale du Travail (France).
W.F.T.U.	October, 1945	World Federation of Trade Unions. <i>Succeeded International Federation of Trade Unions.</i>
G.A.T.T.	October, 1947	General Agreement on Tariffs and Trade. <i>Signed at Geneva. Prepared the way for Havana Conference, November, 1947.</i>
J.E.I.A.	January, 1947	Joint Export/Import Agency. <i>Controls foreign trade of American, British and French Zones of Germany.</i>
Benelux		Economic Union of Belgium, Netherlands and Luxembourg. <i>Agreed to form a common tariff, November 1st, 1946</i>
C.O.I.	April, 1946	Central Office of Information, (London). <i>Succeeded Ministry of Information.</i>